

# Public Document Pack



**Nottingham  
City Council**

## **Nottingham City Council Audit Committee**

**Date:** Friday, 24 June 2022

**Time:** 10.30 am

**Place:** Ground Floor Committee Room - Loxley House, Station Street, Nottingham,  
NG2 3NG

**Councillors are requested to attend the above meeting to transact the following business**

**Director for Legal and Governance**

**Governance Officer:** Kate Morris

**Direct Dial:** 0115 876 4353

- 1 Appointment of Vice Chair**
- 2 Apologies**
- 3 Declarations of Interests**
- 4 Minutes** 3 - 8  
To confirm the minutes of the meetings held on 6 May 2022
- 5 Future Meeting Dates**  
The Committee to consider meeting on the following Fridays at 10.30am  
  
22 July 2022  
30 September 2022  
25 November 2022  
24 February 2023
- 6 Update from Working Groups** Verbal Report  
Verbal update on the work of the Working Groups
- 7 Audit Committee Annual Work Programme** 9 - 16  
Report of the Interim Corporate Director of Finance & Resources
- 8 Together for Nottingham Theme Two: Asset Management** 17 - 26  
Report of the Corporate Director of Growth and City Development

<b>9</b>	<b>Exemption from Contract Procedure Rules quarter four 2021/22</b> Report of the Interim Corporate Director of Finance & Resources	27 - 32
<b>10</b>	<b>ICT Procurement Audit</b> Report of the Interim Corporate Director of Finance & Resources	33 - 36
<b>11</b>	<b>Corporate Risk And Assurance Update</b> Report of the Interim Corporate Director of Finance & Resources	37 - 120
<b>12</b>	<b>Exclusion of the Public</b> To consider excluding the public from the meeting during consideration of the remaining items in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	
<b>13</b>	<b>Corporate Risk and Assurance Update - Exempt Appendices</b> Report of the Interim Corporate Director of Finance and Resources	121 - 132
<b>14</b>	<b>Together for Nottingham Theme 3 - Companies Update - Exempt Report</b> Report of the Interim Corporate Director of Finance and Resources	133 - 148

If you need any advice on declaring an interest in any item on the agenda, please contact the Governance Officer shown above, if possible before the day of the meeting

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**NOTTINGHAM CITY COUNCIL**

**AUDIT COMMITTEE**

**MINUTES of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 6 May 2022 from 2.32 pm - 4.27 pm**

**Membership**

Present

Absent

Councillor Audra Wynter (Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Jane Lakey  
Councillor AJ Matsiko  
Councillor Sajid Mohammed (Vice Chair)  
Councillor Anne Peach  
Councillor Ethan Radford  
Councillor Andrew Rule

**Colleagues, partners and others in attendance:**

Nancy Barnard	- Governance and Electoral Services Manager
Beth Brown	- Head of Legal and Governance
Andrew Smith	- Grant Thornton External Auditors
Clive Heaphy	- Interim Corporate Director for Finance and Resources
Kevin Lowry	- Interim Director of Housing Development
Councillor David Mellen	- Leader of the Council
Shail Shah	- Head of Audit and Risk
John Slater	- Group Auditor

**1 APOLOGIES FOR ABSENCE**

None

**2 DECLARATIONS OF INTEREST**

In the interests of transparency, in relation to agenda item 4 (External Review of Housing Financial Management and Council Response) Councillor Graham Chapman declared that he is a member of CIPFA and of the Nottingham City Homes Board, but he did not consider these to constitute interests that would require him to leave the meeting.

In the interests of transparency, in relation to agenda item 4 (External Review of Housing Financial Management and Council Response) Councillor Anne Peach declared that her partner is a former member of the Nottingham City Homes Board, but she did not consider this to constitute an interest that would require her to leave the meeting.

### **3 AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Andrew Smith of external auditors Grant Thornton gave a presentation, providing a progress report and general update on the sector. The following points were highlighted:

- (a) The position in relation to the financial statements audit for 2019/20 remains largely unchanged from that reported to the Committee in February 2022 as officers are working with new external valuers to gain valuations for specialist properties. This impacts on the financial statements for 2019/20 and 2020/21 and there is no definitive timeline for when updated 2019/20 accounts will be available.
- (b) High level initial planning for the 2020/21 audit has been completed but no further work can be done until the 2019/20 audit is completed.
- (c) The full 2020/21 Statement of Accounts has not yet been published due to the awaited property valuations and further information required in relation to Robin Hood Energy for the period prior to administration.
- (d) Because of the delays to the 2019/20 and 2020/21 financial statements, work on the 2021/22 audit has not yet commenced.
- (e) From Audit year 2020/21 onwards, Auditors are required to produce an Auditor's Annual Report containing a commentary on arrangements to secure value for money and any associated recommendations. This report had been required by 30 September but the deadline has now been extended to allow completion to be postponed to no more than three months after the date of the opinion on the financial statements. The February report set out reasons why the 2019/20 Value for Money conclusion would be likely to be qualified and significant weaknesses in 2020/21.
- (f) There are sector wide issues in relation to accounting for infrastructure assets. A CIPFA review is not expected until June or July.

In response to questions from the Committee the following points were highlighted:

- (g) The process in relation to Robin Hood Energy is complete but there is one outstanding action with a creditor.
- (h) The Finance Team is in a state of flux and staff turnover is a concern. This is a sector wide problem exacerbated by higher rates of pay in the private sector. The external audit recruitment market is also challenging but is being addressed through trainee schemes and international recruitment.

The Committee noted the update.

#### **4 EXTERNAL REVIEW OF HOUSING FINANCIAL MANAGEMENT AND COUNCIL RESPONSE**

Councillor David Mellen, Leader of the Council, introduced the item stating that the two investigations into the misattribution of Housing Revenue Account (HRA) funds (conducted by Richard Penn and CIPFA) had been commissioned by the Council in order to identify and understand the extent of the problems. The issues originated several years ago and the aim now is to understand how and why they arose and how they can be prevented from arising again. The Council is already under the observation of an Improvement and Assurance Board who are reporting to the Department for Levelling Up, Housing and Communities including regarding the HRA. The Council is committed to improvement and putting things right.

Clive Heaphy, Interim Corporate Director for Finance and Resources, then gave a presentation covering the following points:

- (a) The role of the Audit Committee in relation to the HRA issue and the findings of the Penn and CIPFA reports is to look at the adequacy of the control environment, to understand the steps being taken to rectify the failures and provide assurance that those failures cannot happen again and to identify lessons that can be learned.
- (b) The following facts were identified:
  - Nottingham City Council is the Local Housing Authority and hold a non-delegable duty to maintain an HRA
  - The HRA is ringfenced with permissible transactions set out in law and mandatory guidance
  - Nottingham City Homes (NCH) was established as an arms length management organisation (ALMO) to administer housing management and repairs on behalf of the Council
  - The assets remain on the Council's balance sheet and the tenants are the Council's
  - The Council owns NCH and its two subsidiaries. NCH is a Teckal company. Therefore NCH must carry out 80 percent of its trade with the Council and the Council must exercise close control over NCH.
- (a) Both the Penn and the CIPFA report identified issues relating to poor governance, culture and financial and operational control environments. The Council must now provide assurance that it has addressed these issues.
- (b) The Penn report found:
  - Awareness of payments was wide and covered many officers of the Council, NCH and Councillors but officers with the right knowledge were either reassured about legitimacy, ignored or dissuaded from voicing concerns. Some officers failed to demonstrate the necessary standards
  - Governance arrangements and the Council's client role were weak and need strengthening
  - NCH's Articles of Association do not give the Council the required level of control meaning NCH could run to its own agenda
  - The Council's three statutory officers and specialist staff must be respected and given due weight in decision making. Any new proposals in

relation to the HRA now go through these officers and a Housing Accountant and Director of Housing have been appointed.

- The role of External Audit should be questioned
- The Constitution and Code of Conduct were in need of review.

(c) The CIPFA report found:

- The Council's duty to ensure the HRA is dealt with correctly does not cease when it delegates service provision and the Council failed to require NCH to maintain the ringfence
- Funds totalling £8m were charged to the HRA with insufficient basis or evidence
- NCH received £32m more in HRA funding than it spent on HRA activity between 2014/15 and 2020/21
- There was a lack of financial direction from NCC to NCH on ring-fencing and surpluses
- There was no culture of challenge within the Council and poor evidence and basis for charges
- There was a lack of acceptance of the ring-fence within NCH.

(d) To date the following actions have been taken by the Council:

- The process of bringing housing management and repairs in house has begun
- The role of the three statutory officers has been strengthened and they now review all new HRA proposals
- The appointment of an Interim Director of Housing and commencement of strengthening of the client function
- Writing to the new Director of Finance at NCH to clarify the Council's expectations in relation to financial management and commencing work on a financial framework
- Requiring NCH to have full evidence based accounting for transactions with its subsidiaries
- A review of the Articles of Association to give the Council appropriate control.
- Reviewed processes for evidencing and recording financial transactions.

(e) Learning to date includes:

- Companies develop their own ways of working which must be fully understood by the Council as ownership does not equal control
- Specialists must be engaged with and listened to
- Financial performance and risk must be monitored and assessed in a way that recognises the differences between corporate entities. A shareholder unit has been established to understand this
- Governance arrangements must allow for agility on decisions so emerging issues can be addressed quickly to avoid any potential for company distress
- Do the boring stuff well – accounting, compliance and contract management.

(f) In addition to the actions already underway next steps include

- Seeking assurances on other ring-fenced funds to provide to external auditors and DLUHC
- ascertaining what funds are available to bridge the £17m gap identified in the CIPFA report, through analysis of cash flows between the Council, NCH and its subsidiaries, taking account of any loans.

During the subsequent discussion and in response to questions from the Committee the following points were made:

- (g) Taking NCH back in house is not a bad reflection on the staff or the work NCH is doing. Examples of good work include the actions they have taken post-Grenfell and on tenant involvement.
- (h) A ballot is not required to bring an ALMO in house, despite one being required to create an ALMO. There will be no change to policy or service delivery as a result of the transfer.
- (i) Basic bookkeeping needs to be done well. CIPFA were unable to find records to identify how HRA funds were spent although there were some clear examples of it having been mis-spent on general fund matters.
- (j) The view was expressed that more time should have been allowed to establish the facts of what happened and that NCH had disputed some of the findings. Cllr Mellen observed that they Council was under significant pressure from the government to take swift action and failure to do so could result in the loss of democratic control. The timetable had been challenged but the pressure continued. Clive Heaphy added that if CIPFA cannot find evidence they will find against. The evidence should be present for all transactions. Work is continuing however to understand the figures and seek supporting evidence where possible.
- (k) The earliest date to which the review was applied was selected because that was the point at which the management fee rebate started.
- (l) The expectation is that the £17m will not have to be found from the General Fund. The heart of the issue is the £32m gap between what went into the HRA and what was spent by NCH on HRA activity. If this is a matter of correction rather than a deficit this will be welcome but currently the Medium Term Financial Plan will need to be adjusted.
- (m) The Penn review interviewed up to 30 people and found that senior officers had given assurance in relation to HRA activity.
- (n) Many Councils have brought their ALMOs in house. The new Director of Housing has experience of this and has been brought in to oversee the process to ensure it is smooth and risks are managed. Capacity is being increased and a dedicated project team has been established including legal, HR and Communications expertise. Links will be made with resident engagement and NCH have established their own project team which mirrors the Council's. There is ongoing and open dialogue with Trade Unions and with

staff. A RAG rated risk register has been developed and work will be done with tenants to identify early any decline in service.

- (o) Andrew Smith from Grant Thornton, the Council's current External Auditors observed that Grant Thornton was appointed in 2018/19, after the management rebate had been included in the budget book. At the point at which they took over it was not cost or time effective to look into the opening balance in depth and therefore the issue was not identified. Sample testing is done on transactions but the relevant transactions may never have formed part of that sample due to not being material. There is not necessarily a failure of audit. Auditing standards have been complied with, but the issues were not picked up.

Clive Heaphy assured the Committee that he would write to the appointments body for external auditors whose function it is to review the quality of audit, and ask them to review the working papers of KPMG and Grant Thornton.

The Committee noted the update and agreed to have further reports back to future meetings when appropriate.



**Audit Committee – 24 June 2022**

<b>Title of paper:</b>	Audit Committee Annual Work Programme	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy, Interim Corporate Director of Finance & Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Shail Shah Head of Audit and Risk 0115 8764245 <a href="mailto:shail.shah@nottinghamcity.gov.uk">shail.shah@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>		
<b>Does this report contain any information that is exempt from publication?</b> <b>No</b>		
<b>Recommendation(s):</b>		
<b>1.</b>	Note the role and functions of the Audit Committee as set out in the Constitution.	
<b>2.</b>	To take assurance that the Annual Work Programme set out in Appendix 1 supports the Audit Committee in meeting its objectives, role and functions within the Council's Constitution.	
<b>3.</b>	To seek further assurance should any matter of significance to the Audit Committee's objectives arise during the year.	

**1. Reasons for recommendations**

- 1.1 The role and functions of a local authority audit committee are set out in CIPFA guidance which has recently been updated (CIPFA Position Statement 2022).

**2. Background**

- 2.1 Audit Committee is accountable to full council for providing an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 2.2 The Audit Committee Work Programme (Appendix 1) is designed to ensure that the outcomes expected of an effective audit committee are achieved.

**3. Background papers other than published works or those disclosing exempt or confidential information**

- 3.1 None

**4. Published documents referred to in compiling this report**

- 4.1 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022  
4.2 CIPFA - Audit Committees: Practical Guidance for Local Authorities and Police 2018

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**Audit Committee Proposed Work Programme for 2022-23**

**Appendix 1**

The schedule of meetings set out below is proposed but the committee reserves the right to review and amend the work programme content and meeting dates throughout the year in order to meet its objectives and purpose as set out in the [Constitution](#).

Key to activity (incorporating TOR)	Desired Outcomes	Key
Governance risks around high level financial strategy and reserves		
Governance risks connected to asset realisation		
Governance of Capital programme and projects		
Value for Money and Delivering Objectives		
Governance of linked incorporated bodies		
Core functions arising from statutory obligations and guidance		
Annual Assurance reports		

Date	Item	Committee Objective	Outcome	Director	Author
Apr 2022	TfN workstream leads Theme 7 (Service Design & Delivery)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X X X	C Underwood I O'Donovan	R Grice
	Annual Information Security & Information Governance Compliance Assurance (including Service Report on progress following Limited Assurance IA Report –IT Security)	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	X X X X X X X X	M Townroe	S Salmon N Matthews
	Health & Safety Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	X X X X X X X X	M Townroe	P Millward
	HR & EDI Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed	X X X X X X X X	R Henderson	T Hayre-Bennett
	Exemption from Contract Procedure Rules Q3	Oversight of procurement dispensations and assurance on their future procurement process	X X X X X X X X	C Heaphy	S Oakley
tbc	External Audit Report 2019-20	Consider the outcome of the External Audit and assurance on management response to issues identified	X X X X X X X X		A Smith

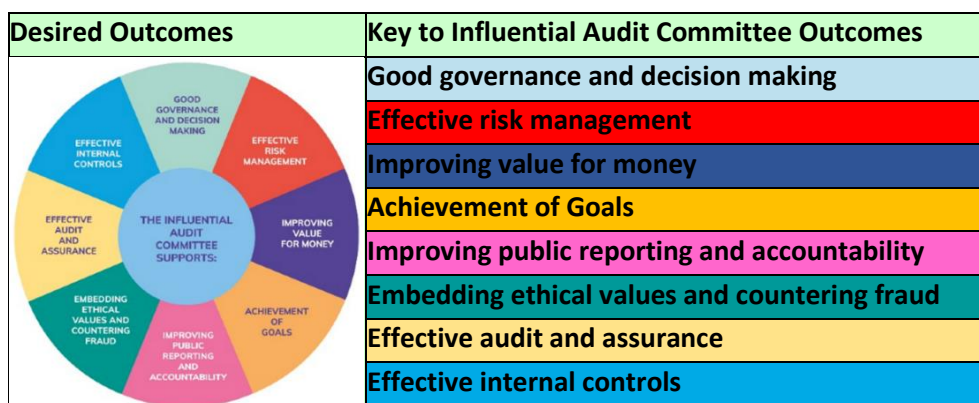
Date	Item	Committee Objective	Outcome	Director	Author
	Statement of Accounts 2019-20 & Final AGS 2019-20	Consider any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council	X X X X X X	C Heaphy	D Middleton
	External Audit Report 2020-21	Consider the outcome of the External Audit and assurance on management response to issues identified	X X X X X X		A Smith
	Statement of Accounts 2020-21 & Final AGS 2020-21	Consider any concerns arising from the financial statements or from the governance statement that need to be brought to the attention of the Council	X X X X X X	C Heaphy	D Middleton
<b>Jun 2022</b>	Corporate Risk Update	Assurance that appropriate arrangements are in place to manage risk	X X X X X X	C Heaphy	S Shah
	Companies Update (TfN Theme 3)	Assurance on progress, benefit realisation, controls, associated risks and their management to ensure that the Council has in place appropriate arrangements to manage risks connected to its investments in companies	X X X X X X	C Heaphy	I Edward
	Updates from Working Groups	Audit Committee Performance	X X X X X X		
	Annual Work Programme	Audit Committee Performance	X X X X X X	C Heaphy	S Shah
	Service Report on Progress following Limited Assurance IA Report – IT Procurement	Assurance on improvements planned and made and how these will be sustained	X X X X X X	C Heaphy	S Oakley
	TfN workstream lead Theme 2 (Asset Management)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X	S Rose	N Jenkins
	Exemption from Contract Procedure Rules Q4	Oversight of procurement dispensations and assurance on their future procurement process	X X X X X X	C Heaphy	S Oakley

Date	Item	Committee Objective	Outcome	Director	Author
tbc	Role of Improvement and Assurance Board	Consider the role and activity of the Audit Committee in the context of the current reporting regime	X X X X X X		Sir Tony Redmond
tbc	Financial Accounts Training	Audit Committee Performance	X X X X X X	C Heaphy	D Middleton
tbc	Draft Statement of Accounts 2021-22 & Interim AGS 2021-22	Consider any concerns arising from the financial statements or from the governance statement that need to be brought to the attention of the Council	X X X X X X	C Heaphy	D Middleton
Jul 2022	External Audit Update	Consider the update from External Audit and assurance on management response to any issues identified	X X X X X X		A Smith
	Treasury Management Annual Report	Assurance on management of Treasury Management risks in accordance with Council policy	X X X X X X	C Heaphy	D Middleton
	IA Annual Report & Opinion including Counter Fraud Strategy and update including Limited Assurance audits and High Priority Recommendations	Consider arrangements for Internal Audit, reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion, and seek assurance on the implementation of agreed actions	X X X X X X	C Heaphy	S Shah
	Service Report on Progress following Limited Assurance IA Report – Business Rates	Assurance on improvements planned and made and how these will be sustained	X X X X X X	C Heaphy	D Middleton L Lee
	TfN workstream lead Theme 5 (Constitution-Governance and Decision Making)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X	M Townroe	B Brown
	Exemption from Contract Procedure Rules Q1	Oversight of procurement dispensations and assurance on their future procurement process	X X X X X X	C Heaphy	S Oakley
Sep 2022	Audit Committee Annual Report	Audit Committee Performance	X X X X X X		Clr S Mohammed

Date	Item	Committee Objective	Outcome	Director	Author
	External Audit Update	Consider the update from External Audit and assurance on management response to any issues identified	X X X X X X		A Smith
	Customer Experience / Complaints & Ombudsman Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed	X X X X X X	C Heaphy	L Lee
	EMSS Annual Report	Assurance that the Council has in place appropriate arrangements to manage risks connected to its joint service arrangements	X X X X X X	L Littlefair	L Littlefair
	Service Report on Progress following Limited Assurance IA Report	Assurance on improvements planned and made and how these will be sustained	X X X X X X	tbc	
	TfN workstream lead Theme 6 (Organisation & Culture)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X	M Barrett R Henderson	T Hayre-Bennett
tbc	Final Statement of Accounts 2021-22 & Final AGS 2021-22 (subject to audit)	Consider any concerns arising from the financial statements or from the governance statement that need to be brought to the attention of the Council	X X X X X X	C Heaphy	D Middleton
	External Audit Report 2020-21	Consider the outcome of the External Audit and assurance on management response to issues identified	X X X X X X		A Smith
Nov 2022	Council Plan & Corporate Performance Assurance & TfN workstream lead Theme 8 (Council Plan)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X	M Barrett I O'Donovan	J Rhodes
	External Audit Update	Consider the update from External Audit and assurance on management response to any issues identified	X X X X X X		A Smith

Date	Item	Committee Objective	Outcome	Director	Author
	Companies Governance Sub-Committee Update (TfN Theme 3)	Assurance on progress, benefit realisation, controls, associated risks and their management to ensure that the Council has in place appropriate arrangements to manage risks connected to its investments in companies	X X X X X X	C Heaphy	I Edward
	Treasury Management Half Year Report	Assurance on management of Treasury Management risks in accordance with Council policy	X X X X X X	C Heaphy	D Middleton
	Corporate Risk & Assurance Register	Assurance that appropriate arrangements are in place to manage risk	X X X X X	C Heaphy	S Shah
	Internal Audit Update including Limited Assurance audits and High Priority Recommendations	Consider reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion and seek assurance on the implementation of agreed actions	X X X X X X	C Heaphy	S Shah
	Procurement of External Audit 2023-2028 update	Assurance that arrangements for statutory inspection of financial statements are in place	X X X X	C Heaphy	S Shah
	Service Report on Progress following Limited Assurance IA Report - (Procurement Dispensations & Contract Management)	Assurance on improvements planned and made and how these will be sustained	X X X X X X X X	C Heaphy	S Oakley
	Exemption from Contract Procedure Rules Q2	Oversight of procurement dispensations and assurance on their future procurement process	X X X X	C Heaphy	S Oakley
Feb 2023	Together for Nottingham Plan update including Theme 1 (MTFS) & Performance Management	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X X X	C Heaphy	D Middleton J Rhodes
	Treasury Mgt Strategy & Capital Strategy	Assurance on setting Council policies to best manage Treasury Management & Capital risks	X X X X X	C Heaphy	D Middleton

Date	Item	Committee Objective	Outcome	Director	Author
	AGS Process 2022-23	Assurance on arrangements for a review of the Council's governance	X X X X	C Heaphy	S Shah
	External Audit update	Consider the update from External Audit and assurance on management response to any issues identified	X X X		A Smith
	Internal Audit Update including Limited Assurance audits and High Priority Recommendations	Consider reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion and seek assurance on the implementation of agreed actions	X X X	C Heaphy	S Shah
	Review of Accounting Policies 2020/21	Assurance that appropriate arrangements are made to comply with statutory guidance	X X X	C Heaphy	D Middleton
	Service Report on Progress following Limited Assurance IA Report	Assurance on improvements planned and made and how these will be sustained	X X X	tbc	
	Exemption from Contract Procedure Rules Q3	Oversight of procurement dispensations and assurance on their future procurement process	X X X	C Heaphy	S Oakley





**Audit Committee – 24<sup>th</sup> June 2022**

<b>Title of paper:</b>	Together for Nottingham Theme Two – Asset Management	
<b>Director(s)/ Corporate Director(s):</b>	Sajeeda Rose Corporate Director for Growth and City Development Nicki Jenkins, Director of Economic Development and Property	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Nicki Jenkins, Director of Economic Development and Property Nicki.jenkins@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	None	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Recommendation(s):</b>		
1.	To take assurance in the governance and control measures in place to manage the risks identified, particularly in relation to pace within the programme.	

**1. Reasons for recommendations**

- 1.1 This paper sets out for Audit Committee Members the progress made on implementing Theme Two of the Together for Nottingham Plan and the associated asset rationalisation programme.

**2. Background**

- 2.1 The refresh of the City Council Recovery and Improvement Plan, rebranded as Together for Nottingham, was approved by Executive Board on 10th January 2022. That document contained a refreshed theme two, which described the Councils approach to ensuring that sufficient capital receipts are generated, using asset rationalisation to meet the current commitments within the capital programme, provide additional cash flow to mitigate budget pressures and fund a transformation programme.
- 2.2 In order to achieve this we needed to a) accelerate the sale of those currently declared surplus and on the existing asset rationalisation programme, b) increase number of assets for disposal onto the programme and c) provide assurance on the way in which we sell our assets.

**Progress to Date – Capital Receipts**

- 2.3 Following the establishment of a robust, risk adjusted forecast for capital receipts, which was based upon those assets that had already been identified for disposal and the timescale expected until completion, the achievement to date (as detailed in Table 1 below) has been positive with £36.0m generated and the forecast as at the start of the financial year for the previous two years to date being exceeded.

Year	Forecast in April	Amount Achieved
2020/21	£11.9m	£12.9m
2021/22	£7.9m	£17.8m
2022/23	£33.8m	£5.3m
<b>Total</b>	<b>£53.6m</b>	<b>£36.0m</b>

**Table 1 – Capital receipts achieved against April forecast**

- 2.4 The forecast for future years is detailed in Table 2 and includes the total pipeline forecast (less costs), and a forecast that is adjusted for risk, based upon the stage the asset currently sits on within the disposal process. It is the risk adjusted figure, which is used as the target and as a basis for the capital programme.

	Capital Programme Commitment (EB Feb 22)	Total Pipeline (less costs)	Risk Adjusted (less costs)
2022/23	17.316	-51.263	-33.792
2023/24	17.025	-20.371	-11.565
2024/25	7.238	-21.578	- 8.286
2025/26	7.116	0	0
<b>Total</b>	<b>48.695</b>	<b>-93.212</b>	<b>-53.642</b>

**Table 2 – Capital receipts forecast**

- 2.5 The total amount in the pipeline is currently £93.2m over the next three years. Due to the pace required, focus to date has been on the identification and delivery of assets that can be sold quickly to achieve an immediate capital receipt, rather than increasing the pipeline for future years.

### **Progress to Date – Assets Action plan**

- 2.6 The refreshed Together for Nottingham plan identified three core projects for delivery under the assets theme,
1. Asset Disposal
  2. Corporate Landlord
  3. Community Assets
- 2.7 Detailed progress against which can be found in appendix 1. To date progress has been positive, however the overall plan is still rated as amber due to the high level of risk associated with the forecast in this financial year, which is due to a small number of high value (£2.5m - £15m) assets which are due to complete in this year.

### **Asset Disposal**

- 2.8 The overall purpose of this project is to ensure there is a robust forecast of capital

receipts to inform planning for the capital programme, ensuring the subsequent delivery of capital receipts and that appropriate assurance is in place throughout the decision making process.

- 2.9 Of the fourteen actions identified within the plan, eleven have been completed and four are in progress and the project is therefore rated as amber.
- 2.10 As outlined above, over the last two years we have succeeded in delivering capital receipts in excess of the forecast at the start of the year. In order to deliver this and to manage future risk of failure to deliver, a number of actions have been taken including;
- Implementation of robust/risk adjusted forecasting methodology,
  - Development and implementation of Disposals policy – disposal of surplus property as default position.
  - New programme governance implemented
  - Prioritisation of high value assets on pipeline, with increased monitoring.
  - Used different selling methods e.g. auctions to speed up disposal.
  - Carried out review of Investment Portfolio – bringing forward recommendations for disposal.
  - Asset review of commercial portfolio in progress.

### **Corporate Landlord**

- 2.11 The Corporate Landlord project recognised that an improved model for property management across the Council was needed to ensure that benefits were maximised and the Council continued to hold an estate that met its needs.
- 2.12 Of the four actions, two are complete and two are in progress and rated as amber.
- 2.13 In summer last year CIPFA Property Services were commissioned to undertake a review of how the Council manages its property assets, the outcome from which was a key recommendation to move towards a Corporate Landlord model. This has been accepted and an implementation programme in two phases will start over the summer.

### **Community Assets**

- 2.14 The Council has a number of properties that are let to community groups for minimal rent, often where this is the case without formal agreements, which creates increased risk to the Council. This project aims to change the approach to community asset leases to ensure values are maintained, community assets are fully utilised and community organisations are clear in terms of roles and responsibilities.
- 2.15 Of the three actions, one has been completed and the remaining two are in progress and are also rated as amber.
- 2.16 Progress under this project has experienced delays due to capacity issues within the Property function as a number of personnel left the organisation. This meant that resources had to be prioritised to deliver the other two projects as they were deemed to be a higher priority and risk to the Council.
- 2.17 Additional short term capacity pending the implementation of a new structure as part of the implementation of the Corporate Landlord has now been recruited and is taking these actions forward.

- 2.18 The Community Asset Policy has now been drafted and is out to external consultation, with the aim of approval and implementation over the summer.

### **Governance and Assurance**

- 2.19 In Sept 21 the Council agreed a new Disposals Policy, to provide assurance over disposal of its assets. As well as ensuring consistent decision making, the policy also outlined governance arrangements relating to asset rationalisation.
- 2.20 Once a property asset is identified as surplus the Property function will instigate the process to dispose. Properties will only be sold after rigorous option appraisal, which includes advice from all relevant departments, but particularly legal, finance and property. Once the options appraisal has been undertaken this is presented for decision with clear recommendation to dispose and via which method.
- 2.21 Recommendations will be agreed by the Corporate Property Asset Management Group, made up of senior officer representatives, including finance and legal. Final approval to dispose is then in accordance with the council's formal governance arrangements.
- 2.22 The Asset Rationalisation Board (ARB), which is Chaired by the Leader, is presented with reports on progress against the forecast, on the high value assets and an overview of assets coming through for disposal.
- 2.23 In the early stages of the programme ARB was meeting on a fortnightly basis, however this has extended over time as things have progressed and now meets on a six weekly basis.

### **Risk Management**

- 2.19 Delivery of the asset management theme, follows a traditional risk management approach, with a risk register rated on severity, which is reviewed and updated on a monthly basis. The current risk log is attached in appendix 2.
- 2.20 There are a number of high rated risks identified, the mitigations for which are also incorporated into the theme action plan, which is also monitored on a monthly basis, reports are also taken into the Asset Rationalisation Board.

### **3. Background papers other than published works or those disclosing exempt or confidential information**

- 3.1 None

### **4. Published documents referred to in compiling this report**

- 4.1 None

## Appendix 1 – Asset Management Theme Action Progress

Progress Against Action Plan			
<b>Theme / Programme</b>	<b>Theme 2 – Asset Management</b>	<b>Report Date</b>	05/04/22

		<b>Deliverable: RAG</b>	<b>Amber</b>		
<b>Project</b>		<b>Milestone / Deliverable</b>	<b>Date</b>	<b>Comments</b>	<b>RAG</b>
<b>Project 1: Asset Disposal</b>	1.1	Review of 2021/22 budget savings to identify assets that will become surplus and timescales, agree with service areas to move these into the asset disposal programme once declared surplus.	May 21	Complete	
	1.2	Recruitment of Interim Head of Property and additional interim capacity to accelerate the disposals work	Jan 21	Complete.	
	1.3	Review of disposal process, identifying options for acceleration and generating greater financial returns	April 21	Complete.	
	1.4	Review of disposals programme forecast risk	April 21	Complete	
	1.5	Implementation of monitoring and review process	April 21	Complete.	
	1.6	Ensure disposal targets related to capital programme gap are agreed and the relationship with pipeline (risk-adjusted) are understood and monitoring is in place.	July 21	Complete	
	1.7	Bring forward assets identified for disposal	July 21	Complete	
	1.8	Development of disposals policy to ensure the transparency of decision making.	June 21	Complete.	
	1.9	Identification of initial list of assets for disposals from the property trading account.	May 21	Complete.	
	1.10	As a holding position, prior to the implementation of the Corporate Landlord model, to review the process for services to declare properties surplus, ensuring the current process being used is efficient and transparent.	Jan 22	Complete	

		Deliverable: RAG	Amber			
Project		Milestone / Deliverable	Date	Comments	RAG	
	1.11	Undertake a review and develop recommendations for the disposal of investment properties	Jan 22	Complete	Green	
	1.12	Procure and implement specialist expertise to support the sale of investment assets	Feb 22	Complete	Green	
	1.13	Ongoing engagement with service areas to identify further assets that are identified as surplus as a result of transformation programme and budget savings.	Sept 23	Operational Asset Group established to monitor and co-ordinate operational assets coming forward for disposal. The property function is working closely with teams as proposals develop. Additional property capacity has been appointed to support this process.	Amber	
	1.14	Deliver full asset review of the commercial portfolio to develop pipeline for future years.	June 22	Asset review is progressing with 2-3 properties are progressing for decision to dispose on a monthly basis. Progress over the last 2 months has slowed due to staff illness, however it is anticipated that the full review will be completed in the autumn.	Amber	
<b>Project 2: Corporate Landlord</b>		Agree with CLT that the Corporate Landlord model is the desired approach for the Council and undertake an independent review to provide detailed proposals for taking the model forward.	Sept 21	Complete	Green	
		Following the independent review to develop recommendations and implementation plan for approval	Feb 22	Complete	Green	
		To establish project group and transformation team to deliver the change programme	May 22	Transformation funding agreed at March Transformation Board to commission resources to support the implementation of the programme. Specification for the support required developed and currently in procurement. Expected to	Amber	

		Deliverable: RAG	Amber		
Project		Milestone / Deliverable	Date	Comments	RAG
				have in place for June 22.	
		To commence implementation of phase one of the new arrangements	May 22	Implementation commenced. Alignment of core functions to take place through corporate redesign process, due to be implemented May/June. Work already underway within teams to look at opportunities for greater collaboration.	
<b>Project 3: Community Assets Review</b>		Review community assets to identify potential properties for disposal or a change in terms	Jun 21	Complete.	
		Develop and adopt a community asset property policy	March 22	Progression against this action has been delayed due to staff exiting the organisation and prioritisation of other actions. Policy in draft form, currently out for external consultation. Expected to be finalised by end of June	
		Ensuring appropriate arrangements are in place for existing community tenants	April 22	Progression against this action has been delayed due to staff exiting the organisation and prioritisation of other actions. Additional capacity has been recruited and work is underway to ensure that appropriate agreements are in place.	

## Appendix 2 – Assets Theme Risk Register

Key Risks – Asset Management Theme				
Key Risk	Risk Description	Severity	Action	Owner
The Council's generation of capital receipts does not reach the levels or timescales required	The Council is unable to balance its financial needs and this may impact on the ability of the Council to deliver services.  Impact on reputation/ trust	Red	Ongoing review of forecast to provide accurate basis upon which to prioritise capital programme.  Expansion of the pipeline of disposals to generate capital receipts through a full asset review of the commercial portfolio.  Prioritisation and ongoing monitoring of high value disposals.	Nicki Jenkins
Year 22/23 capital receipt forecast is dependent upon a small number of high value assets.	The Council is unable to balance its financial needs and this may impact on the ability of the Council to deliver services.	Red	Prioritisation of delivering high value disposals.  Weekly monitoring of progress at team level, with report to every Asset Rationalisation Board.  Immediate escalation of issues.  Asset review process to focus on disposals that can be achieved in short time scales to supplement forecast for this financial year.	Nicki Jenkins
Team capacity to deliver the asset rationalisation programme	Team capacity to delivery business as usual due to large staff turnover impacts on ability to deliver the work programme.	High	Tight prioritisation of assets moving forward for disposal.  Increased interim capacity secured.  New property structure to deliver increased capacity to the team for disposals  Securing additional legal capacity to support disposals.	Nicki Jenkins
In generating receipts the Council creates larger long term revenue pressures on its base budget or does not consider the impact of investment properties and	The Council budget is not sustainable in the longer term and may affect the ability to deliver services.	Amber	Asset review process and review of investment properties to take into consideration revenue impacts of potential sales and to ensure this is included as part of the information when decisions to sell are made.  Prioritisation of assets to dispose, which have low revenue pressures.	Nicki Jenkins



**Key Risks – Asset Management Theme**

<b>Key Risk</b>	<b>Risk Description</b>	<b>Severity</b>	<b>Action</b>	<b>Owner</b>
yield			<p>Monitoring cumulative impact of decisions made on revenue.</p> <p>Some provision within property budgets to cover revenue loss. Existing performance of property holdings will be reviewed to ensure that their efficiency is maximised (for example around voids, debt collection, rent reviews etc), to ascertain how far any loss can be contained.</p> <p>If further mitigation is required after this then that will be picked up in realistic income assessments within the MTFS.</p>	
Disposal of operational assets is dependent on decisions taken within services.	Decisions can often be elongated and complex.	Red	<p>Operational asset group established to monitor/co-ordinate progress. Strategic asset management team works proactively with services. Increased capacity within the Strategic Asset Management function through property restructure process.</p>	Nicki Jenkins
Disposal of/ new arrangements for Community Assets create genuine political tensions, given existing commitments	Complicates decision making	Amber	<p>Implementation of community asset policy. Clear governance and decision-making process implemented. Benchmarks with other local authorities to ensure good practice. Clarity on the priority of objectives agreed with Members. Members are engaged with decision-making around Community Assets to enable all options to be weighed up quickly and effectively</p>	Nicki Jenkins
Market conditions impact on the sale of assets	<p>Decreased value due to market saturation/ decreased appetite for office space/ assets following the pandemic and reluctance to return to the workplace.</p> <p>Decreased value due to view of council negotiating position by market (as vulnerable/ dependent on sales)</p>	Red	<p>Ensure market conditions are considered when undertaking valuations/ forecasting income. Have a clear strategy for disposals that reflects market activity and adapt approach as required to respond to need</p>	Nicki Jenkins

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**Audit Committee – 24 June 2022**

<b>Title of paper:</b>	Exemption from Contract Procedure Rules quarter four 2021/22	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy Interim Corporate Director of Finance and Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Steve Oakley, Head of Contracting and Procurement steve.oakley@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	None	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Recommendation(s):</b>		
1.	To note the number of exemptions from Contract Procedure Rules during quarter four of 2021/22	
2.	To note the actions being taken to ensure that contracts are awarded in line with Contract Procedure Rules and that exemptions only occur where there is a sound rationale for approving the exemption	

**1. Reasons for recommendations**

- 1.1 As part of the new Constitution all exemptions from Contract Procedure rules need to be reported to Audit Committee on a quarterly basis, Article 18.79. This report outlines all exemptions requested during the period from the commencement of the new Constitution in October 2021.
- 1.2 The original audit report identified actions needed across Nottingham City Council to address poor compliance with the old Financial Regulations and Contract Procedure Rules. This report also provides an update on actions taken and planned to improve compliance with the new Constitution and in particular Contract Procedure rules.

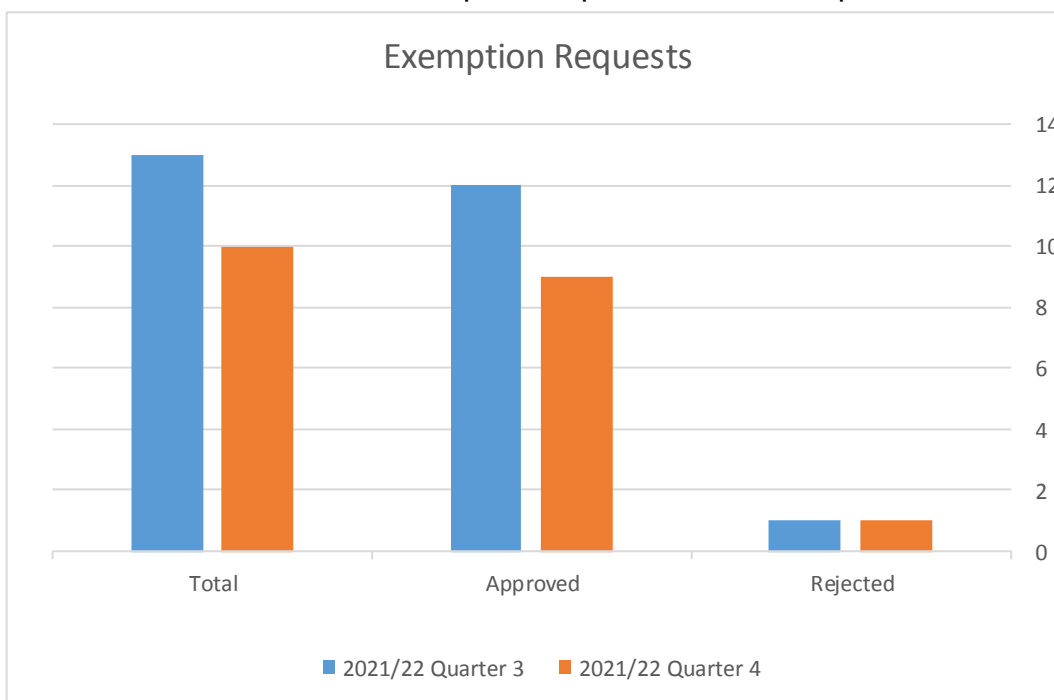
**2. Background**

- 2.1 An audit of Procurement Dispensations was undertaken in 2021 and identified significant non-compliance with Financial Regulations and Contract Procedure Rules which resulted in higher than would be expected requests for Dispensation from Financial Regulations.
- 2.2 With the development of a revised Constitution it was agreed to change the Contract Procedure Rules and include the need for a formal record of all exemptions to be taken separately to seeking approval for spend. Article 18 Contract Procedure Rules includes an exemption form that is completed whenever an exemption from Article 18 is requested. These forms are reviewed by the Head of Contracting and Procurement prior to seeking the approval of the Director of Finance and Resources. Once approved these are collated by the Head of Contracting and Procurement to ensure a comprehensive record of all exemptions is maintained.

- 2.3 There will always be some requests for exemption from Contract Procedure Rules as not all contracts can be let through a formal tendering or quotation process for various reasons. An example is where there is only one supplier for technical reasons.
- 2.4 Article 18.79 requires a report to Audit Committee on a quarterly basis of all exemptions from Article 18. This report provides the second quarterly report since the new Constitution was implemented in October 2021.
- 2.5 The following table outlines the number of exemptions requested and approved during the fourth quarter of 2021/22. Appendix 1 lists the 10 exemption requests with the reasons for the decision.

	Total	Approved	Rejected
2021/22 Quarter 3	13	12	1
2021/22 Quarter 4	10	9	1

- 2.6 The chart below shows the exemption requests to date for quarter 3 and 4 2021/22.



- 2.7 Of the approved requests eight were unavoidable with no alternative option to the exemption for various reasons. The other exemption may have been avoidable if plans had been developed earlier in the process, ie rather than seeking one quote three could have been requested at the same time.
- 2.8 The one declined request was refused as it was a retrospective request related to 2021/22. Work is underway for this project to put in place a contract as soon as practicable, likely to be March 2023.
- 2.9 The 9 approved exemptions total £1.6m. One exemption has a value of £550k which was unavoidable as a tender had been completed but the new provider required longer to implement the service, so an extension had to be agreed with the original suppliers to maintain a service during transition.

- 2.10 Procurement have been working with departments to ensure exemptions only come forward when there is no alternative. A number of potential exemptions have been avoided by putting in place a compliant process.
- 2.11 Exemption requests for this quarter are lower than the previous quarter and given only one could have been avoided this is now at a level would be expected by other authorities, when benchmarking data is considered. This is significantly lower than the dispensation requests that were at around 16 per quarter.
- 2.12 Key actions undertaken this quarter
- 2.12.1 On a number of occasions Procurement have identified alternative options when colleagues have requested an exemption which has avoided the need for an exemption.
- 2.12.2 The new operating model is nearing completion with implementation planned during the remainder of 2022/23. As part of this two training programmes are being finalised for Contract Management and Procurement. These provide training on best practice Procurement and Contract Management including implementation of Contract Procedure Rules.
3. **Background papers other than published works or those disclosing exempt or confidential information**
- 3.1 **N/A**
4. **Published documents referred to in compiling this report**
- 4.1 Follow-up audit report Contract Management 2021
- 4.2 Internal Audit Report Procurement Dispensations
- 4.3 Contract Management and Procurement Audits 2021
- 4.4 Exemption from Contract Procedure Rules quarter three 2021/22

**Appendix 1**  
**Exemption outcome report quarter 4 2021/22**

<b>Title of Exemption</b>	<b>Division</b>	<b>Directorate</b>	<b>Supplier</b>	<b>Date Signed</b>	<b>Outcome</b>	<b>Value</b>	<b>Avoidable</b>	<b>Rationale for exemption/ Procurement Reason for Supporting</b>
CCTV Traffic Enforcement Maintenance	Traffic and Safety	Growth and City Development	Siemens Mobility Limited	20/01/2022	Approved	£187,505	N	Sole supplier award in line with Regulation 32 of Public Contract Regulations 2015
Bike Store Camera Operator	Transport Strategy	Growth and City Development	Oracle Surveillance	20/01/2022	Rejected	£50,000		Retrospective request – work underway to put in place a new contract from March 2023
South Glade Food Park	Property	Growth and City Development	Food and Drink Forum	20/01/2022	Approved	£100,000	N	Supplier has a lease on the property so award in line with Regulation 32 of Public Contract Regulations 2015
HRA Review Phase 2	Finance and Resources	Finance and Resources	CIPFA	20/01/2022	Approved	£80,000	N	Award to supplier that undertook previous phase and value below threshold for Public Contract Regulations 2015
Out of Hospital Care Model for Rough Sleepers	Regeneration and Housing Delivery	Growth and City Development	Evolve Housing Association	20/01/2022	Approved	£164,121	N	Grant conditions required naming of supplier and no time to tender. The contract value is below Public Contract Regulations 2015 threshold
Highways Licence System	Traffic and Safety	Growth and City Development	Symology	20/01/2022	Approved	£173,016	N	Alternative frameworks were explored but were more expensive than price quoted, therefore the direct award provided best value. The contract value is below the Public Contract Regulation 2015 threshold
Better Mental Health	Public Health	Peoples	Nottingham and Nottinghamshire CCG	07/02/2022	Approved	£90,595	N	Approval had been given for award via a Section 75 agreement but given value and timescale of the agreement a direct award contract would be appropriate in

								the circumstances
Laptops for Looked After Children	Education	Peoples	Stone Group	22/03/2022	Approved	£41,000	Y	Due to the need to get the laptops in for the children asap and the value being well below threshold this was approved
Real Time Passenger Information System	Public Transport	Growth and City Development	INIT and NCT	28/03/2022	Approved	£550,000	N	A tender had been completed for a new supplier but mobilisation required an extension to existing arrangements. Allowed under regulation 32 of PCR 2015
Safe Accommodation	Community Protection	Resident Services	Juno Women's Aid	28/03/2022	Approved	£241,800	N	Grant award timescales too short to allow for a tender and the contract value is well below the Public Contract Regulations 2015 threshold

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## Audit Committee – 24 June 2022

<b>Title of paper:</b>	ICT Procurement Audit	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy Interim Corporate Director of Finance and Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Steve Oakley, Head of Contracting and Procurement steve.oakley@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	Simon Salmon, Head of ICT	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Recommendation(s):</b>		
1.	To note the actions completed and planned as outlined in table 1	
2.	To note the plans to implement further ICT procurement actions through the Procurement Transformation programme	
3.	To agree future reports on ICT Procurement are reported as part of a wider report on Procurement including Audit and Compliance updates	

## 1. Reasons for recommendations

- 1.1 The ICT Procurement Audit identified a range of actions this report provides an update on the actions taken and work proposed over the coming 12 months. Significant work to improve ICT procurement across Nottingham City Council has been identified through the Procurement Transformation Programme, with one specific project focussed on delivering change in this area. The project is looking holistically at ICT procurement to identify best practice and deliver improvements in the governance of how Nottingham City Council procures all products and services.

## 2. Background

- 2.1 The internal audit into ICT Procurement was issued on the 20<sup>th</sup> January 2022 with limited assurance, it built on a previous audit from December 2020 into cloud based applications. The latest audit made three additional recommendations on top of the 11 outstanding actions from the 2020 report. This report provides an update on progress against the actions in both audits. A number of actions have already been delivered as detailed below, in Table 1.
- 2.2 Further actions will be delivered over the next 12 months as part of the Procurement Transformation Programme. A key part of that will be the establishment of a centralised IT Procurement decision making process to ensure efficient use of resource, improve corporate governance and reduce duplication of systems. The plan also includes setting up an oversight group for procurement and contract management which will have responsibility for ensuring procurement plans include all requirements and will support the development of toolkits to ensure all procurement is compliant with legislation such as Public Contract Regulations 2015 and General Data Protection Regulations 2018.

2.3 The following table outlines the actions identified in the audit and provides a management update on the progress and next steps.

Table 1

<b>Audit Report Action</b>	<b>Update</b>
Procurement procedures to lay out IT specific requirements	<p>A template of questions related to IT procurement has existed for some time but is now being applied to all procurements that have an IT component. This helps to identify IT elements, architectural integration, and reference to the corporate technical design authority.</p> <p>The Procurement Transformation programme has a specific project to centralise all IT procurement to ensure requirements are captured as part of every tender</p>
Guidance on use of Cloud based services	<p>Guidance on cloud as a delivery mechanism also exists and is being applied to procurements in line with the above process.</p> <p>With the planned centralisation of IT procurement a process will be developed to ensure any move to Cloud based services is managed appropriately.</p>
Mechanism of assurance for Cloud based suppliers is required	<p>Assurance frameworks and supplier accreditation are sought as part of the procurement process where IT are involved in the process, which is now the case with all corporately managed procurements.</p> <p>The proposed operating model for Procurement identifies the need for Strategic Contract Management which will develop the processes of assurance for all contracts including Cloud based suppliers.</p>
Comprehensive asset register is required	<p>This will be managed as part of the processes around centralisation of ICT procurement – the plans will enable a comprehensive record to be kept</p>
IT applications should be linked to the Contracts Register	<p>Since the implementation of oracle fusion it has been possible to link Contracts with spend. The next phase with Centralised ICT procurement is to ensure all contracts are held centrally for IT and included on the contracts register</p>
IT costs incorrectly coded	<p>Work has been included on improving coding in the Procurement Transformation plan including a communication plan for improving governance and training on Contracting and Procurement which is in the final phase of development.</p>

Information Management Risk Assessments should be completed	<p>Information management risk assessments and data protection impact assessments occur where procurement occurs with IT and Information Governance involvement. Corporate governance continues to improve, requiring all procurement activity to meet the required standard.</p> <p>The centralisation of ICT Procurement will include the development of policies and processes to ensure best practice is followed for all.</p>
A consistent approach to contracts needs to be developed	The proposed operating model for Procurement identifies the need for Strategic Contract Management which will develop the processes of assurance for all contracts
Mechanism of assurance for all IT suppliers is required	<p>The proposed operating model for Procurement identifies the need for Strategic Contract Management which will develop the processes of assurance for all contracts including IT suppliers.</p> <p>Assurance frameworks and supplier accreditation are sought as part of the procurement process where IT are involved in the process, which is the case with all corporately managed procurements.</p>
Develop a register of all ICT assets	ICT assets form a part of the IT asset register. This becomes incomplete when non-corporate activity creates outcomes that are subsequently not tracked. The identified improvements in corporate governance and centralisation of all IT procurement will help to ensure the ongoing completeness of the ICT asset register.

2.4 With ICT procurement actions now forming part of a wider Procurement Transformation Programme it is proposed that future ICT Procurement Audit updates are included as part of a wider report to Audit Committee on Procurement including updates on audit actions and compliance with Contract Procedure Rules.

3. **Background papers other than published works or those disclosing exempt or confidential information**

3.1 ICT Procurement Audit 2020/21

4. **Published documents referred to in compiling this report**

4.1 Executive Summary ICT Procurement Audit 2020/21

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## Audit Committee – 24 June 2022

<b>Title of paper:</b>	Corporate Risk Management and Corporate Risk and Assurance Register Update	
<b>Director(s)/ Corporate Director(s):</b>	Mel Barrett, Chief Executive Clive Heaphy, Interim Corporate Director of Finance & Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Shail Shah Head of Audit and Risk 0115 8764245 <a href="mailto:shail.shah@nottinghamcity.gov.uk">shail.shah@nottinghamcity.gov.uk</a> Caroline Stevens Principal Risk Specialist 0115 8764346 <a href="mailto:caroline.stevens@nottinghamcity.gov.uk">caroline.stevens@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>	John Slater, Group Auditor Corporate Leadership Team Directorate Leadership Teams	
<p>Appendices 3 and 4 to this report are exempt from publication under paragraph number three of Schedule 12A to the Local Government Act 1972 because they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> <p>It is not in the public interest to disclose this information because this may lead to potential for commercial disadvantage if sensitive commercial, financial or contractual information became available to potential contractors or partners.</p>		
<b>Recommendation(s):</b>		
<b>1</b>	To receive the refreshed Risk Management Policy and Framework and provide views and feedback on the policy, framework and implementation plan.	
<b>2</b>	To note and provide views and feedback on the Annual Report and progress made to review existing processes and further embed Risk Management across the Council.	
<b>3</b>	To note the Corporate Risk and Assurance Register and if appropriate identify any risks for further review.	

## 1 Reasons for recommendations

- 1.1 The Audit Committee's risk management role is to provide assurance on the adequacy of the Council's Risk Management Policy and Framework and the associated control environment by reviewing the mechanisms for assessing and managing risk. This includes ensuring that relevant managers undertake active risk management. This report presents an update on Risk Management and the latest review of the corporate risks faced by the Council.

## **2 Background**

### **2.1. Refreshed Risk Management Policy and Framework**

2.1.1 The refreshed Risk Management Policy and Framework is attached as Appendix 1 for review and comment. The document sets out the Council's approach to risk management and includes a policy, a strategy and a detailed risk management toolkit:

- The policy states that the Council is committed to the proactive management of risks, outlines the Council's active promotion of the principles of effective risk management and includes the risk appetite statements agreed by CLT.
- The strategy sets out the aims, principles and objectives for risk management, how the framework will be communicated, including training, delivery, monitoring and an action plan
- The toolkit provides guidance to managers, to assist them in undertaking any risk management activities.

2.1.2. The previous version approved by CLT in November 2020 has been reviewed and updated to incorporate changes recommended following a self- assessment against best practice. Feedback on the Framework has also been incorporated from Audit Committee members, CLT, PWC and Zurich. Extensive feedback has also been received from Improvement Assurance Board members in writing and through meetings with the overall opinion of the document being positive.

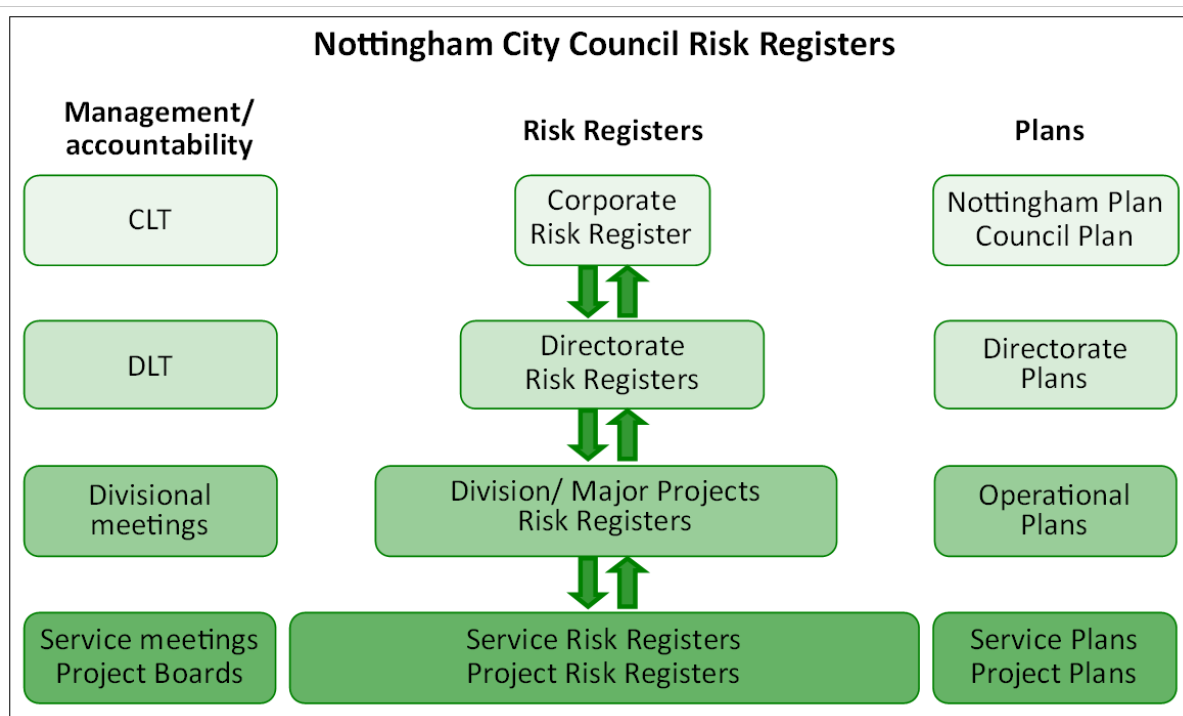
2.1.3. The framework is supported by risk templates, a quick reference toolkit for managers, online risk management training and a series of live training sessions for Senior Officers. A risk management intranet site is also available and provides access to the Policy and Framework, all supporting documents and contact details for the risk team.

### **2.2. Strategic Risk Annual Report**

2.2.1. The first annual report for the strategic risk function is attached as Appendix 2. The report highlights the enormous progress made to embed strategic risk management across the Council during 2021/22. During the year, the team have seen positive engagement and consultation with colleagues and evidence of risk management processes being embedded. This progress has been possible due to the strong leadership and support for risk management from the Chief Executive, Corporate Director for Finance and Resources, CLT and DLT members and the chair of the Audit Committee.

### **2.3. Corporate Risk and Assurance Register Update**

2.3.1. A risk reporting process is in place to support escalation of risk throughout the Council as required. Risks can move between registers based on seriousness and required oversight and support. The escalation process is shown diagrammatically as follows:



2.3.2. Risks are reviewed by Divisional Leads, DLTs, CLT and Leadership Group quarterly. The corporate register is also reviewed by Executive Panel, Executive Board and Audit Committee six monthly.

## 2.4. The Register Update

2.4.1. An overview of the top corporate risks to the Council and changes to the register in the last quarter is included as Appendix 3 and the summary Corporate Risk and Assurance Register is attached as Appendix 4 for review of the existing mitigations in place and to agree any further assurances needed.

## 3. Other options considered in making recommendations

3.1. To do nothing: this risks the potential that not all key corporate risks facing the Council are represented and understood within the register and that Audit Committee members are not fully engaged or aware of the Council's risk profile.

## 4. Consideration of Risk

4.1. Risks for consideration are detailed within the register.

## 5. Finance colleague comments (including implications and value for money/VAT)

5.1. Financial implications are highlighted as potential impacts for each risk included within the register alongside an assessment of the impact on finance using the risk matrix. Finance colleagues have inputted to related risks within the register.

## 6. Legal colleague comments

6.1. Legal implications are highlighted as potential impacts for each risk included within the register alongside an assessment of the impact on legal/ legislation using the risk matrix. Legal colleagues have inputted to related risks within the register.

## 7. Other relevant comments

7.1. Senior colleagues across all directorates have inputted to related risks within the register.

## 8. Crime and Disorder Implications (If Applicable)

8.1. N/A

## 9. Social value considerations (If Applicable)

9.1. Social value implications are highlighted as potential impacts for each risk included within the register alongside an assessment of the impact using the risk matrix.

## 10. Regard to the NHS Constitution (If Applicable)

10.1. N/A

## 11. Equality Impact Assessment (EIA)

11.1. Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because: There is no change proposed within the report.  
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

## 12. Data Protection Impact Assessment (DPIA)

12.1. Has the data protection impact of the proposals in this report been assessed?

No

A DPIA is not required because: There is no change proposed within the report.  
(Please explain why a DPIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

## 13. Carbon Impact Assessment (CIA)

13.1. Has the carbon impact of the proposals in this report been assessed?

No

A CIA is not required because: There is no change proposed within the report.

(Please explain why a DPIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.



**14. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

14.1. None

**15. Published documents referred to in this report**

15.1. None

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# Risk Management Policy & Framework

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# Risk Management Policy

## Policy Statement

It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking reflecting our appetite for risk.

Risk management is all about understanding, assessing and managing the Council's threats and opportunities. We recognise that it is not always possible to eliminate risk entirely and the Council accepts the need to take proportionate and well-managed risks to achieve its strategic obligations.

It is important that both our day to day business and our large and complex projects are delivered in a controlled environment with costs and risks clearly understood. Through managing risks and opportunities in a structured manner, and through embedding risk management in our culture, the Council will be in a stronger position to ensure that we are able to deliver our objectives safely.

To do so, visibility of these areas is essential, and with a robust and strong framework we can place ourselves in the best position to achieve our strategic objectives and ambitions.

**Cllr David Mellen**  
**Leader of the Council**



**Melbourne Barrett**  
**Chief Executive**



# 1. Introduction

Risk management is needed to understand the threats and opportunities associated with delivering Nottingham City Council's services. It makes us think about the decisions we take and how we manage everyday service delivery, projects and our work with partners.

Risk management is often concerned with the adverse potential of risk but not all risk is bad. Some opportunities can only be unlocked by taking risks. The key to success in these situations is to take risks knowingly by properly assessing them and managing them appropriately.

The following statement sums up the purpose of risk management:

**Risk management** is a process that allows individual risk events and overall risk to be understood and managed proactively, **optimising success** by **minimising threats** and **maximising opportunities** and outcomes (*Definition from APM Body of Knowledge 7<sup>th</sup> edition*).

## Benefits of Risk Management

To manage services effectively we need to identify, understand and manage risks which threaten our ability to deliver our critical or most important business priorities.

The application of risk management supports us in:

- Achieving our priorities and planned financial targets;
- Achieving a high level of citizen satisfaction in our service delivery;
- Maintaining a safe and supportive working environment for colleagues;
- Optimising management and leadership competence;
- Enhancing our reputation;
- Maintaining compliance with legal and regulatory frameworks.

## Effective Risk Management

Effective implementation of risk management will ensure that:

- The Council, colleagues, councillors and partners, can face risks knowingly and manage them for the benefit of service users, citizens, tax payers and other stakeholders;
- Risk management plays a central role and is embedded into the management of its business activities, projects and partnerships, improving the quality of decision making and management;
- Risk management practices are executed within a common framework that provides a consistent approach and channel for escalation of serious risks;

- Risks and opportunities are considered and taken in line with the Council's risk appetite, with understanding and managed to achieve business priorities;
- Our partners undertake effective risk management in the interest of the Council's service users, citizens, tax payers and other stakeholders.

## **Risk management principles and culture**

Our approach to Risk management is supported by a number of principles:

- Risk management activity is aligned to business priorities (including those priorities supported by partnerships and projects). It encompasses all strategic, operational and insured risks that may prevent Nottingham City Council achieving its objectives;
  - Risk management is integrated into our planning process;
  - The Council risk register framework comprises separate risk registers and risk strategies corresponding to levels of management accountability and plans;
  - Criteria exist for the escalation and delegation of risks between registers;
- Risk management engages our stakeholders and deals with differing perceptions of risk. This entails engaging with individuals and groups who have a stake in the organisational activity being undertaken, to understand their requirements and perceptions of risk;
- Risk management is a process to improve our understanding of risks and our decision-making, helping the Council anticipate and where possible/ appropriate take preventative action rather than dealing with consequences, record and disseminate learning to limit similar risks occurring in the future. However, the purpose is not to remove risk entirely, but to manage risks most effectively (risk aware not risk averse);
  - Risk is considered in all formal council reports;
  - Risks are regularly reviewed at Directorate Leadership Teams (DLTs) and Corporate Leadership Team (CLT) to facilitate the updating and communication of risks and inform decision making;
  - Risks are also reported to Leadership Group, Executive Panel, Executive Board and Audit Committee.
- A consistent approach to the identification, assessment, management and escalation of risks throughout the Council;
  - Use of an assessment matrix to assist in making an assessment of likelihood and impact of risks materialising;
  - The Risk Management Framework, including Policy, Strategy and Process Guide, additional guidance, templates and training support a consistent approach to risk management;



- Risk control and mitigation measures are effective, proportionate, affordable and flexible;
  - Risk mitigations are captured in Risk Registers. An assessment of their effectiveness is made by the risk owner and assurances recorded within the register;
  - Mitigations are reflected in corresponding Service Plans with a regular review of the risks that are a threat/ opportunity to the achievement of key performance indicators (KPIs);
  - Risks are subject to assurance work proportionate to the importance of the associated business objective and the impact of the risk.

## **Partnerships**

The Council's approach to partnership risk management identifies and prioritises the partnership's priorities so that the most critical are managed proportionately.

Partnership governance bodies should ensure that partnerships (including their constituent projects and/ or partnerships) are risk managed in a manner which is proportionate to the complexity and significance of the partnership. Where possible, efforts should be made to be consistent with the Council's policies. Risk management for partnerships must be designed to work across the appropriate organisational boundaries and accommodate and engage the different stakeholders involved. Large and or complex stakeholder communities can introduce their own risk and need to be explicitly managed.

Where the Council is not the 'leading partner' that 'sets' the management culture, it is the responsibility of Council colleagues in the partnership to ensure that the potentially different risk management approaches work together harmoniously to the benefit of all partners.

## **Stakeholder engagement**

Stakeholders may include a wide range of individuals with an interest in the delivery of a priority or the management of its risks for example councillors, managers, employees, trade unions, suppliers, partners, citizens and members of the wider community affected by the Council's existence.

The objectives of differing stakeholders may not be aligned and perceptions of risk may vary significantly. This will influence their contribution in identifying and managing the Council's risks. By facilitating discussions about risk and providing challenge, effective risk management practices will reduce subjectivity and bias caused by different stakeholder perceptions.

In order to engage stakeholders effectively the appropriate level and style of communication must be undertaken in order to identify who the various stakeholders

are, understand their requirements and build common understanding. Proactive and timely involvement of stakeholders helps to ensure that the risk identification process is thorough and differences are understood and resolved early on, helping the Council to achieve its objectives.

## **Risk Appetite**

A risk appetite statement clarifies an organisation's approach to striking the balance between innovation, upside, and higher risk on the one hand and lower risk, stability, but lack of forward momentum on the other. Risk appetite should follow an organisation's values and strategy and is related to achievement of strategic objectives. A risk statement for the Council ensures that the behaviour and attitude to risk is consistent with the Council's values and those of public service, establishing boundaries for risk taking and ensuring that risks accepted are proportionate to the range of potential rewards of costs.

The Council's risk appetite is set against the backdrop of the current position the Council and is reflective of these internal and external influences. The Council recognises the seriousness of the financial, governance and operational challenges faced as highlighted in the Public Interest Report published in August 2020 and the findings of the subsequent Non-Statutory Review in November 2020 and this is reflected in the current risk appetite levels. All risks should be considered in this context as the Council implements the Together for Nottingham Plan and works with the Department for Levelling Up, Housing and Communities (DLUHC) via the Improvement and Assurance Board to address the changes required to reach a sustainable position.

The Council's risk appetite and individual statements for each risk category can be useful in two ways:

- When considering the best response to strategic risks to the Corporate Plan, as set out in the Corporate Risk and Assurance Register;
- When making specific key decisions and the risk implications of accepting or rejecting a course of action.

Defining an organisation's risk appetite can help:

- Ensure the organisation is only taking a level of risk – and the type of risks – it is comfortable with to achieve its goals;
- Ensure the risks are commensurate to the opportunity or reward to be gained;
- Provide a framework for decision making with consideration to how it will affect the type and levels of risk the organisation is exposed to, and if this is acceptable or not;
- Enable members and staff to make judgements about which risks are acceptable in pursuing goals and which are not;

- Ensure the response to specific risks is proportionate.

The Council's risk appetite and detailed statements for each risk category are owned by the Leadership of the Council (through Executive and CLT) and are reviewed quarterly to ensure they remain appropriate for the current climate in which the Council operates.

Compliance with the risk appetite statements, is required for all risk management practices and is to be regulated through existing risk reporting channels at DLTs, CLT and via the Risk Management Team. The risk appetite statements, and their application, is incorporated into risk and assurance register templates, the supporting guidance for the Council's risk matrix and training available to all staff.

### **Observations and recommendations**

In the development of the risk appetite, input was sought from DLT and CLT members within the organisation. Senior officers were asked to give their view on what they felt the risk appetite should be for each risk category within the Risk Management Framework. The gradings are on a five-point scale with corresponding risk scores included to aid comparison to the current risk matrix. With this information the responses were analysed and reviewed in each category and corresponding statements of appetite were agreed by CLT. The statements are intended to provide guidelines in dealing with uncertainty that follows new initiatives and signposts colleagues to the types of business-as-usual risks they should be considering. The scores included with each category's statements provide a threshold for risk owners to consider risk treatment and escalation.

In the graph below, terms used can be defined as follow:

- Averse – The council's appetite towards risk is low and there is minimal desire to take risks to achieve objectives, risks need to be carefully managed within a tightly controlled process, consequences are considered to be intolerable.
- Cautious – The council is prepared to accept more risk assuming risk management processes remain in place and outcomes monitored, innovation is avoided.
- Open – Refers to the council being willing to take on more risk within areas where positive outcomes are considered to be more than likely, consequences are ones which can be absorbed and tolerated
- Optimistic – Recognises that consequences are likely in pursuit of changes and advances of the council. Some of these consequences may be above acceptable boundaries, but success of delivery remains broadly confident
- Hungry – this appetite refers to risks which we are actively embracing in pursuit of innovative changes whilst recognising that failure remains a possibility

The risk appetite of the organisation can be represented visually by the graph below which shows an overall cautious/open attitude towards risk.

Notable exceptions are for Legislative, Environmental, Reputational, Health and Safety and Financial risks, where the appetite is averse/cautious.

Category	Averse (1-5)	Cautious (6-10)	Open (11-15)	Optimistic (16-20)	Hungry (21-25)
Financial					
Customer / Citizen					
Health and Safety					
Environmental					
Legal / Legislation					
Workforce					
Physical Assets					
Partnership Engagement					
Reputation					
Service / Project / Programme Delivery					
Opportunity					

Appendix D provides a detailed risk appetite statement for each category, including context and guidance for application.

## Complementary Council functions

Assurances relating to risk management activities are provided via the Risk and Assurance Register process.

### Project management

Effective project and commercial management ensures the best possible project outcomes for citizens and a key element of this is to manage and mitigate related risk and issues.

The Major Projects Team provides a range of project and commercial management support to various teams across the Council and the Portfolio Management Office acts as the corporate guardian for consistency and co-ordination of capital projects.

Project management tools and guidance include risk management within the project lifecycle and are available to colleagues via the staff intranet.

For further information on Project management, please contact:

[Portfolio.office@nottinghamcity.gov.uk](mailto:Portfolio.office@nottinghamcity.gov.uk)

## **Performance management**

Risk management is an integral part of the Performance Management Framework. Performance cannot be reviewed or reported on without an accompanying review and report on the risks in play, whether they are a direct threat to progress or arise from an initiative to achieve new and critical benefits.

Risk management is also integral to Service and Divisional Plans, ensuring that risks are considered and recorded alongside objectives and delivery by all services and divisions as part of the planning process.

For further information on Performance management, please contact:

[nccpolicy@nottinghamcity.gov.uk](mailto:nccpolicy@nottinghamcity.gov.uk)

## **Business continuity**

Business Continuity Management is a process that helps to manage the risks to the smooth running of an organisation or the delivery of a service, thus ensuring that the organisation can continue in the event of a disruption, or recover to an acceptable level of operation within an acceptable timescale.

It is a legal requirement under the Civil Contingencies Act for all Councils to have a provision for Business Continuity, so that:

- Critical functions can be recovered in priority order in acceptable timescales.
- Response capability can be maintained/recovered to support blue light services in an emergency.
- Mitigating actions can be developed to increase the Council's resilience.

Business Continuity Plans are developed across all services and these are reviewed and tested regularly.

For further information on emergency planning or business continuity please contact your directorate Department Liaison Officer.

## **Health and safety**

Nottingham City Council has a duty under the Health and Safety at Work etc. Act 1974 and is committed to providing and maintaining safe and healthy working conditions and appropriate welfare arrangements for all of its employees and other persons using its buildings and facilities or affected by work carried out by, or on behalf of the organisation.

Nottingham City Council takes all reasonably practicable steps to manage risks to prevent injury or ill health by ensuring:

- safe and healthy workplaces, equipment and procedures

- proper welfare facilities and arrangements
- continuous improvement in health and safety standards
- provision of sufficient resources to meet the requirements of this policy
- consultation with employee and trade union accredited safety representatives on matters that significantly affect the health, safety and welfare of employees and others
- this policy is brought to the attention of all employees
- suitable and sufficient training, information, instruction and supervision.

The 'Safety Policy & Arrangements' section of the Safety Manual contains the specific policies and arrangements on health, safety & welfare issues that may be present within your working environment.

Corporate and directorate safety information including corporate policy, procedures and technical guidance with additional documentation to support colleagues is available on the staff intranet. Training is available via a Learning Zone and the Corporate Safety team.

For further information on corporate safety please see below link to the staff intranet: <http://intranet.nottinghamcity.gov.uk/corporate-safety-advice>

## **Governance**

The Council is committed to using risk information to inform decision making and risk is embedded within the Council's Governance Framework.

The Council renewed its Constitution in 2021 to improve the Council's governance arrangements and helps the Council to take good, well informed decisions for our city. A key principle of decision making as set out in the constitution is that with all decisions taken, the decision maker can demonstrate that the risks associated with the decision have been fully taken into account and mitigated where possible.

Risks are formally considered within the decision making process:

- All reports to committees include a section for risk management issues;
- All reports to informal meetings include a section for risk management considerations;
- Consideration of risk is required for all delegated decisions and is recorded within Delegated Decision Making (DDM) forms.
- Strategic and operational service planning guidelines require that all service plans include a risk register;

- Directorates are required to use information on significant risks, contained in risk registers, to inform decisions on budget re-alignments and investments;
- All proposed budget reductions must include a detailed analysis of the risk surrounding the impact of such reductions as well as the additional risks presented by their successful implementation, informed by consultation with affected stakeholders;
- All efficiency improvements must be accompanied by a detailed analysis, including proposed mitigations of the risks that threaten the delivery of the savings, whether they are cashable or non-cashable;
- All projects and partnerships must be planned in recognition of the risks that threaten their effective operation and the delivery of their outcomes.

### **Council companies**

The company board has responsibility for an organisation's overall approach to risk management and internal control. The board's responsibilities are:

- ensuring the design and implementation of appropriate risk management and internal control systems that identify the risks facing the company and enable the board to make a robust assessment of the principal risks;
- determining the nature and extent of the principal risks faced and those risks which the organisation is willing to take in achieving its strategic objectives (determining its "risk appetite");
- ensuring that appropriate culture and reward systems have been embedded throughout the organisation;
- agreeing how the principal risks should be managed or mitigated to reduce the likelihood of their incidence or their impact;
- monitoring and reviewing the risk management and internal control systems, and the management's process of monitoring and reviewing, and satisfying itself that they are functioning effectively and that corrective action is being taken where necessary; and
- ensuring sound internal and external information and communication processes and taking responsibility for external communication on risk management and internal control.

Company boards are expected to adhere to best practice external standards of risk management, the Councils expected standards of internal audit and at all times the FRC guidance on risk management and internal control.

Where appropriate a risk and audit committee is expected to be established by the Board, with clear terms of reference that are reviewed at least every three years. The

committee is expected to review the effectiveness of internal audit and the control environment on an annual basis.

A Shareholder Unit has been established to operate within the Council to monitor company activity and support the work of Shareholder Representatives. Monthly meetings are held with the Company directors to report on financial and operational performance and to discuss risks facing the company to get a wider picture of the company environment and potential pitfalls.

Shareholder representative attend the company Board meetings and report back issues on any issues that may affect the governance and risks of each company. As and when required but at least annually the Council will seek evidence from the companies that the board is discharging its duties in following the FRC guidance and achieving the standards expected of the risk and internal control environment.

It is the responsibility of the Chair of each board to undertake periodic evaluation of board effectiveness in line with the FRC code of Practice and for the findings of these to be reported to the Council, with assurances of any activities required to improve effectiveness. Effectiveness reviews will include an assessment of the risk and audit committees of the boards. Matters arising from the reviews will be brought to the Companies Governance Executive Committee by Shareholder Representatives.

The Shareholder Unit reviews risk information provided by the companies and maintains a discrete risk register of related company risks where there is a potential impact to the Council. Where appropriate and in line with the Council's risk appetite, risks are escalated to the Corporate Risk and Assurance Register or the Finance and Resources Directorate Risk and Assurance Register.

### **Commissioning, contracting and procurement**

Procurement law regulates the purchasing of goods, works or services and all Local Authorities must adhere to the Public Contract Regulations 2015. The Council also operates within internal Financial Regulations and Contract Procedure Rules that set out the processes which underpin the day to day management of public funds.

Procurement rules and regulations protect the Council from the following risks:

- Financial penalties
- Legal challenge
- Exposure to fraud and corruption
- Reputational damage
- Wasteful spending of public money / failure to achieve best value



- Unmet strategic aims
- Early termination of contracts
- Grant funding being withdrawn

The Council has over 1,200 contracts with suppliers in private, public and voluntary sector organisations supported by robust contract management processes that promote good practice, maximises financial and operational performance whilst minimising risk. The Council is committed to improving the quality of goods and services, improving the outcomes for citizens and securing value for money, through its contractual arrangements with its providers.

The Council's Procurement Strategy sets out for suppliers and other key stakeholders the strategic aims of the Council to be taken forward through our procurement activity over a five year period and procurement guides, categories and thresholds are available on the staff intranet for colleagues.

For further information on procurement please see link below to staff intranet:  
<http://intranet.nottinghamcity.gov.uk/procurement>

## **Insurance**

Insurance is a legal requirement for some classes of business and also a risk transfer mechanism which is utilised to reduce the level of financial risk to the Council.

The Council has multiple insurance policies in place, including Property, Public Liability, Employer's Liability and Motor, some of which are in place due to a requirement in law such as Motor insurance and some of which are in place to protect the Council's finances in the event of an incident and any subsequent claim for damages. The Council also self-insures for risks that are not cost effective to manage through the insurance market and it maintains an Insurance Reserve for this purpose.

The Insurance and Risk Team handles in house all insurance claims for damage to operational property arising from an insured peril and also third party property damage and personal injury civil claims pursued against the Council. Claims received are reviewed regularly by the team and Operational Risk Groups are established for Council services receiving regular insurance claims. The groups meet regularly to support identification and management of risk through the review of claims data and agreeing any actions required to prevent further occurrences. Risk support is also provided to Council services through the Insurance and Risk Team, helping to identify and manage operational risks in addition to managing the risk improvement actions for services that are a mandatory requirement imposed by insurers each year.

For further information on Insurance please contact:

[insurance@nottinghamcity.gov.uk](mailto:insurance@nottinghamcity.gov.uk)

### **Annual Governance Statement**

The Annual Governance Statement is a statutory document providing an overview of the governance arrangements in place at the Council and their effectiveness. The statement is signed by the Chief Executive and Leader of the Council and is published with the annual Statement of Accounts.

Risk management processes are detailed within the statement and key risks for the year highlighted.

For further information on the Annual Governance Statement please speak to the Audit Team, contact details available on the staff intranet, please see link below to staff intranet:

<http://intranet.nottinghamcity.gov.uk/finance/audit-and-fraud/>

# Risk Management Strategy

## Aims and Principles

This Risk Strategy will develop risk management across the Council through:

- Ensuring that Council approach and tools are in line with current risk management best practice;
- Improving corporate risk management including improved assessment and reporting of risks;
- Improving monitoring and reporting of risk at directorate, divisional and service level;
- Improving scrutiny and understanding of risk management by members.

## Objectives

The Risk Management Strategy will deliver:

- External assurance of risk management approaches used at the Council;
- The embedding of risk management thinking into the culture of the Council
- Maintenance of a risk register which will include strategic and operational risks, allowing further analysis and understanding of risk to support decision making and map related assurances using the three lines of defence model;
- Established corporate risk appetite statement set by [Members and] CLT to support risk assessment and response;
- Provision of training and support to divisions and services including implementation of best practice tools and techniques;
- Identification and training of risk champions at directorate, division and service levels;
- Consistent quarterly monitoring of risks at service and directorate levels supporting escalation into department and corporate risk and assurance registers;
- Inclusion of risk management within culture work programme;
- Provision of training to members on risk management.

## Communication of the Framework and Training

The Risk Management Framework will be shared with colleagues and members via the Council's communication network and made available to all colleagues via the staff intranet. Training will be a mandatory part of the Leadership training framework.

Risk workshops were held at DLTs to introduce the framework previously and develop risk registers. Training for Audit Committee members and quarterly reviews with risk leads, at DLTs and CLT provide continued communication of the messages within the framework.

The Framework is supported by guidance and templates which are available to colleagues via the staff intranet. The Risk Management Team is available to provide support with implementation of the framework.

An online risk management training module is available to colleagues via the learning portal. Facilitated training sessions are also available throughout the year provided by external facilitators and the risk management team is available to provide support through one to one guidance, attendance at team meetings and dedicated risk sessions.

Please see the risk management intranet site for contact details for the risk management team.

<http://intranet.nottinghamcity.gov.uk/finance/risk-management/>

## **Delivery of the Framework**

Current delivery of the strategic risk management function is provided by the Risk Management Team within the Audit and Risk service. The team is also supported by the strategic risk team at its advisors (currently Zurich Insurance) for delivery of training sessions, regular assessment of approach and specific projects.

Transformational funds have been agreed to support implementation of the Risk Strategy. This will include use of an external body to review the existing risk management and assurance arrangements and deliver further training to Audit Committee members and risk colleagues in latest techniques. Funds will also be used to expand capacity within the Audit and Risk team, providing greater support to divisions and services. Funding will also support improved, consistent risk management and exploring the possibility of implementing software solutions covering the costs of the licence fee and roll out across the Council.

## **Monitoring progress of the Risk Strategy**

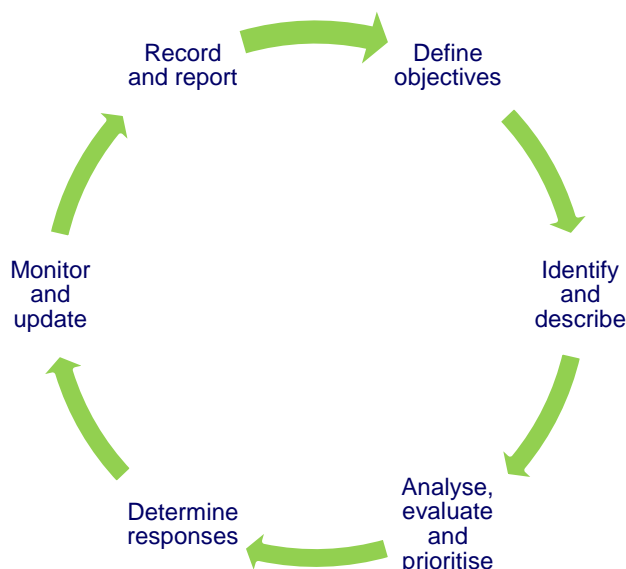
Delivery of the Risk Strategy will be the responsibility of the Audit and Risk Team and reported regularly to CLT, Leadership Group and Audit Committee as part of the existing risk report.

An action plan for the strategy has been developed and is available in Appendix E

# Risk Management Toolkit

## Risk Management Process

The following diagram highlights the key stages in Risk Management.



### 1. Define objectives

The first step is to identify the objectives, outcomes or deliverables expected for the area under review, project, partnership, service, division or directorate. A risk is essentially something that could occur which will have an impact (negative or positive) on those objectives.

#### For example:

- Service plan objectives
- Project deliverables
- Corporate objectives and priorities

It is also important to ensure that major stakeholders who have an impact on or are affected by the objectives are identified.

### 2. Identify and describe

**Risk identification** should be done in the context of what could prevent you from delivering your (or the Council's) objectives. Risks should be identified when setting a business plan, in the early stages of project planning, at option appraisals, during service re-design and at regular intervals.

- Consider different types of risk including the Council's risk categories (examples illustrated in the diagram below);
- Examine trends and historical information;
- Consider internal influences on delivery including workforce capacity and capability, Council priorities or impact of Council group companies;
- Consider external influences on delivery including social, economic, environmental and market influences;
- Consider uncertain future events that could impact the day-to-day operations of services, including pandemic or other health care emergency that impacts business continuity and supply chain resilience.

**For example** (categories of risk to consider):

Financial	•Change of external factors, budget, financial planning, control framework and/ or impact of Council group companies
Citizen/ communities	•Ability to effectively deliver services which meet the changing needs and expectations of customers and citizens
Legislative or Regulatory	•Meeting requirements and/or law changes
Environmental	•Physical environment, e.g. extreme weather events; climate change
Partnerships	•Delivering services in conjunction with potential partners e.g. disagreements; changed priorities; failure of supply chain
Reputational	•How the Council is viewed by both internal and external stakeholders, impact on delivery of Council priorities
Health and Safety	•Possibility of injury to citizen and/ or workforce
Workforce	•Staff engagement, retention, capacity and capability
Physical assets	•Physical condition of assets, e.g. buildings, vehicles, plant and equipment
Delivery	•Disruption and delays to project, programmes and/ or services
Opportunity	•Improvement to project, service or other risk area

Further guidance for identification of risks, including SWOT and PESTLEC analysis is included as Appendix F.

The **description of the risk** should have three elements:

- a) The likely source of the risk (cause);
- b) The possible risk/ uncertain event;

- c) Its potential “impact” on the achievement of the associated business priority;
- Each risk should be described at a level of detail where it can be assigned to an owner, with clear responsibility and accountability for addressing the risk;
- Be careful not to describe the Risk Event as the Effect/Impact.

For example:

<b>Risk Event</b>	<b>Cause</b>	<b>Effect/Impact</b>
<b>There is a risk that</b>	<b>If/As a result of</b>	<b>Which will result in</b>
We cannot recruit/retain skilled staff	Restructures and cuts	Inability to deliver services (e.g. which might result in breach)

### 3. Analyse, evaluate and prioritise

Risk characteristics are assessed in terms of likelihood (probability of the risk occurring) and impact (consequences if it did occur). The Council has a Risk Assessment Matrix which sets the values to be attributed to each risk for both of these elements. This is a ‘5x5’ matrix and the assessed scores of impact and likelihood are multiplied together to determine the overall risk score, to a maximum of 25.

**Risk assessment matrix (Likelihood x Impact)**

		Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Likelihood	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Highly likely (5)	5	10	15	20	25

With some areas of work it is likely that counter measures and contingency plans have already been identified. These should be reviewed to ensure they reduce the seriousness of identified risks to an acceptable level and assurances sought regarding their effectiveness. The resultant score helps us establish the seriousness of risks and prioritise them.

<b>Red</b>	Immediate action, escalate and regular monitoring
<b>Amber</b>	Implement action and monitor
<b>Green</b>	Implement action if relative and tolerate

The risk assessment matrix table below provides guidance to help score the likelihood and impact of a risk occurring. The table is designed as a guide only and all scoring should be at the risk owner's discretion.



## Likelihood scoring guidance

### Risk assessment matrix (Likelihood x Impact)

		Impact					
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)	
Likelihood	Remote (1)	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<0.1% chance of occurring within the next 12 months
	Unlikely (2)	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>	<1% chance of occurring within the next 12 months
	Possible (3)	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>15</b>	<5% chance of occurring within the next 12 months
	Likely (4)	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>	<b>20</b>	<10% chance of occurring within the next 12 months
	Highly likely (5)	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>	>10% chance of occurring within the next 12 months

## Impact scoring guidance

Impact				
Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
<b>Financial (The Council's risk appetite for this category is a risk score between 1 and 10)</b>				
A financial loss of <0.1% of relevant budget/ revenue	A financial loss of <0.5% of relevant budget/ revenue	A financial loss of <1% of relevant budget/ revenue	A financial loss of <5% of relevant budget/ revenue	A financial loss of >5% of relevant budget/ revenue
<b>Customer/ citizen (The Council's risk appetite for this category is a risk score between 6 and 20)</b>				
No negative impact on citizens	Potential negative impact on small number of citizens	Negative impact on small number of citizens with rise in complaints or potential negative impact on high number of citizens	Negative impact on small number of citizens with rise in complaints and/ or legal challenge or negative impact on high number of citizens with expected rise in complaints	Negative impact on high number of citizens with rise in complaints and/ or legal challenge
<b>Health and Safety (The Council's risk appetite for this category is a risk score between 1 and 10)</b>				
No injury	First aid or short term minor health problem	Violence, short term health problem or multiple short term minor health problems	Serious medium term health problem or multiple short term health problems	Fatality, disability, serious long term health problem or multiple medium term health problems
<b>Environmental (The Council's risk appetite for this category is a risk score between 1 and 10)</b>				
No damage to the environment	Localised short term reversible damage to the environment	Localised long term reversible damage to the environment or widespread short term reversible damage to the environment	Localised irreversible damage to the environment or widespread long term reversible damage to the environment	Widespread irreversible damage to the environment
<b>Legal/ legislation (The Council's risk appetite for this category is a risk score between 1 and 10)</b>				
No breach or potential for small number of claims	Breach of local guidelines or potential for moderate number of claims	Breach of regulation with potential for fine or claim/ Ombudsman investigations	Breach of regulation with potential for significant fine or claim/ litigation	Breach of regulation with potential for multiple litigations or the Council being put into special measures
<b>Workforce (The Council's risk appetite for this category is a risk score between 6 and 15)</b>				
Workforce concerns highlighted to managers	Some levels of low morale and/ or small increases in staff sickness and grievances detected	Low staff morale, increase in staff sickness and/ or grievances reported and/ or short term low staffing levels	Permanent staff turnover <10 % above the norm and/ or long term low staffing levels	Permanent staff turnover >10% above the norm/ and/ or permanent low staffing levels
<b>Physical assets (The Council's risk appetite for this category is a risk score between 6 and 20)</b>				
No damage to asset	Minor damage to asset but still functioning	Moderate damage to key asset rendering it temporarily unusable	Major damage to key asset rendering it unusable but repairable	Major damage to key asset rendering it unusable permanently
<b>Partnership engagement (The Council's risk appetite for this category is a risk score between 6 and 20)</b>				
No impact to partnership relationships	Difficulty in aligning strategies with a partner organisation to support a project	Difficulty in aligning strategies with a partner organisation to support collaborative working	Unable to reach an agreement with a partner organisation leading to termination of a project and/ or deterioration of working relationship	Unable to reach an agreement with a key partner organisation leading to non delivery of a key objective and/ or relationship with key partner severely damaged
<b>Reputation (The Council's risk appetite for this category is a risk score between 1 and 10)</b>				
No media coverage or change to public perception and stakeholder confidence	Local short term media coverage (1 to 3 days) with little change to public perception and stakeholder confidence	Local long term media coverage (3+ days) with moderate change to public perception and stakeholder confidence	National short term media coverage (1 to 3 days) with moderate change to public perception and stakeholder confidence	National long term (3+ days) with significant change to public perception and stakeholder confidence
<b>Service/ project/ programme delivery (The Council's risk appetite for this category is a risk score between 6 and 20)</b>				
No impact to delivery of service, project or programme	Errors made in delivery of service, project or programme	Delays to delivery of service, project or programme	Major disruption to delivery of service, project or programme	Unable to deliver of service, project or programme
<b>Opportunity (The Council's risk appetite for this category is a risk score between 6 and 20)</b>				
Little or no improvement to project, service, relationships, reputation etc. or financial gain of <0.1% of relevant budget/ revenue	Minor improvement to project, service, relationships, reputation etc. or financial gain of <0.5% of relevant budget/ revenue	Moderate improvement to project, service, relationships, reputation etc. or financial gain of <1% of relevant budget/ revenue	Significant improvement to project, service, relationships, reputation etc. or financial gain of <5% of relevant budget/ revenue	Major improvement to project, service, relationships, reputation etc. or financial gain of >5% of relevant budget/ revenue

The guide is designed to apply at all levels of risk register, risks should be scored at the relevant risk register level and if escalated or delegated, rescored to reflect the new risk register level. For example a financial risk captured at divisional level, should be scored based on divisional budget and if escalated to the directorate risk and assurance register, should be rescored again based on departmental budget level.

Where a risk applies to multiple categories, the risk owner should assess the impact levels across the areas and score based on the most significant area of risk.

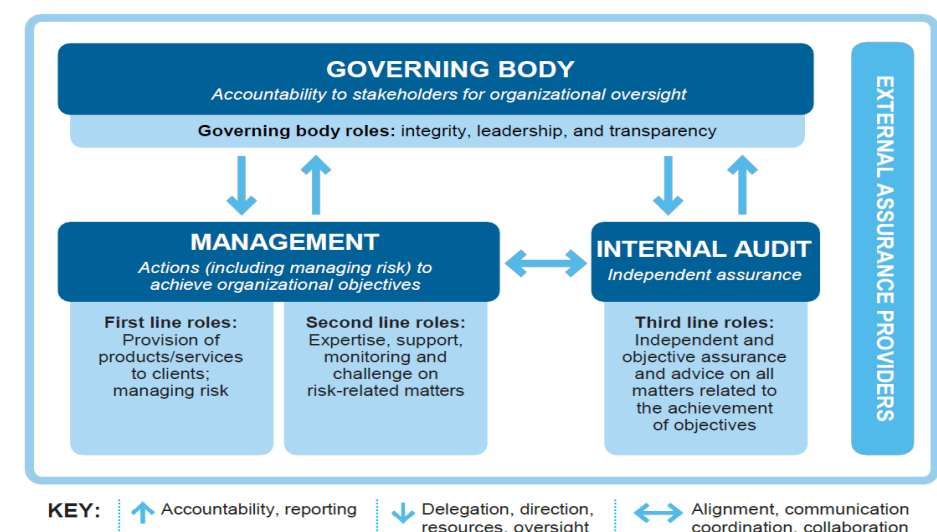
Risk owners should assess their risks against the Council’s risk appetite and if operating outside of the Council’s preferred risk appetite, risks should be prioritised for treatment and escalation.

### Risk and Assurance

A Risk and Assurance Register has been developed for directorate and corporate reporting to provide assurance that all key strategic risk areas are being controlled effectively alongside the management of high level operational risks.

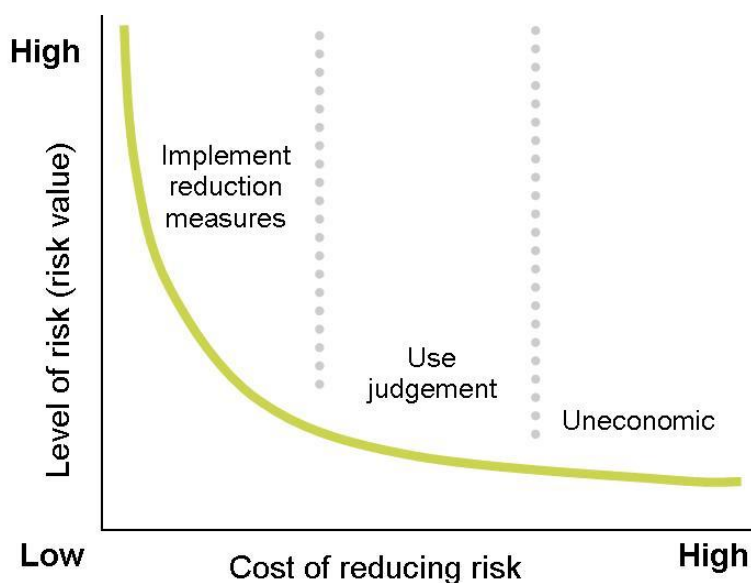
The aim of the Risk and Assurance Register is to demonstrate the state of effectiveness of the arrangements in place to deliver objectives and in particular to highlight issues that need attention. The Register follows the Three Lines of Defence Model (see image below) and provides a summary for each strategic and operational risk of all key controls, how they are managed and internal and external assurances available for these.

### The IIA’s Three Lines Model



## 4. Determine responses

If existing counter measures and contingency plans are considered insufficient, then new risk responses are required. However, we need to be careful that the cost of implementing risk responses is proportionate to the risk.



Our response to the risk is largely determined by the seriousness of the risk and our risk appetite or tolerance but can be broadly categorised into four options:

- **Terminate:** Terminate the activity which gives rise to the potential risk;
- **Transfer:** Transfer the risk or the consequences of the risk to a third party for example using insurance or outsourcing;
- **Treat:** Implement mitigation actions to reduce the likelihood and/or the impact. (Note: it is not always possible to influence both likelihood and impact);
- **Tolerate** - Accept the current risk level as the likelihood and impact levels are within a comfortable risk appetite.

Risk owners should refer to the Council's risk appetite for guidance and thresholds on when risks should be treated. See Risk Management Policy and Appendix D

All required risk actions should be recorded within the relevant risk register, alongside details of the owner and timeframe for completion. The risk management team are available to provide support with this, please see the risk management intranet site for contact details.

Further guidance on treatment of risks is available in Appendix H.

## **5. Monitor and update**

It is important to monitor risk behaviour and response to ensure that steps taken to reduce risk are implemented and effective. There may be new previously unidentified risks which require a response. When undertaking this monitoring, effort should be focussed on the most serious risks.

Risks are reviewed quarterly by DLTs and CLT and more frequently where needed. Divisions and services should also implement similar review frequencies for risks within their areas.

## **6. Record and report**

It is important that there is a formal record of the status of risks informing the wider understanding of risks across the organisation. Risks and mitigations should be recorded in risk registers and formally reported to Service Team meetings, Divisional meetings, Directorate Leadership Teams or Corporate Leadership Team depending on severity and required oversight.

Risk registers are used to record the risk exposure (the risks and their characteristics) and the decisions taken as a result of that knowledge (e.g. new mitigations).

A simple risk register template is included as Appendix G, the Council also utilises a more complex risk and assurance register for directorate and corporate level recording. All templates are available in excel format on the risk management intranet site or from the Risk Management Team.

Directorate Risk and Assurance Registers are used to inform the Corporate Risk and Assurance Register (owned by CLT) and some directorate risks may be reported on the Corporate Risk and Assurance Register if agreed by the directorate's Corporate Director. The full reporting structure for top level risk registers is illustrated in Appendix C.

### **Guidance on escalation and delegation of risks**

Risk threats and opportunities should be known to the level of management best placed to decide if, and to what degree, mitigations should be initiated. However, we need to ensure there is not an excessive flow of information to the higher levels of management which could increase the risk of delayed mitigation.

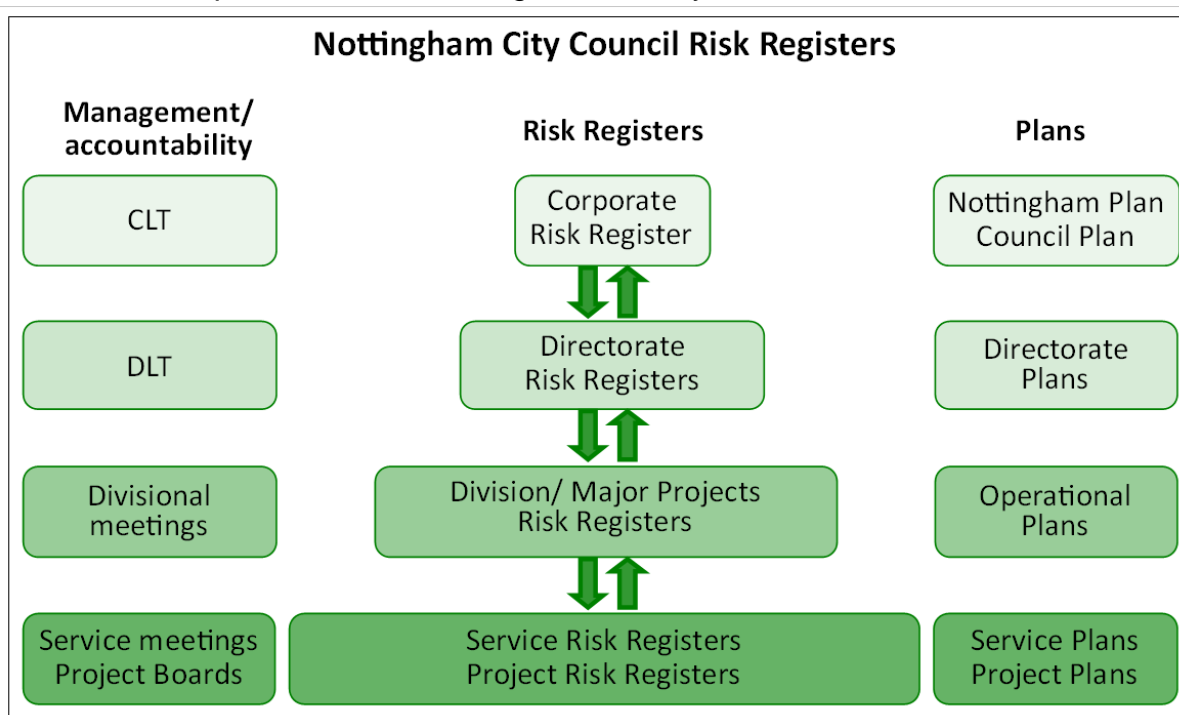
Risks can also be delegated to lower risk registers although this should only happen if:

- The threat level on a business priority under risk management has fallen significantly and is now of considerable less concern at the higher level in the Council’s Risk Register Framework. This might happen after a period of sustained risk management at the higher level;
- The higher (management) level does not have the primary delivery responsibility for the business priority being risk managed.

The final decision to escalate is a local management decision that depends upon the nature of the risk and the local and corporate operating/ political environment.

A factor which can influence risk escalation is risk appetite. The Council’s risk appetite is detailed within the Risk Policy section of the Framework and Appendix D. Risk owners should familiarise themselves with the appetite and apply this to risk related decision making. The risk assessment matrix guidance (detailed in Step 3 Analyse, Evaluate and Prioritise of the toolkit) and directorate and corporate registers include reference for the Council’s risk appetite for each risk category, providing support to risk owners in determining their responses to risks based on risk score.

The escalation process is shown diagrammatically as follows:



The full reporting structure for top level risk registers is illustrated in Appendix C.

Risks are reviewed by Directorate Leadership Teams (DLTs), CLT and Leadership Group quarterly. The corporate register is also reviewed by Executive Board six monthly to ensure that the risks captured in the register are reflective of risks faced by the Council and to highlight to Executive Board members the risk profile of the Council. The register is

also reviewed by Audit Committee six monthly to provide assurance that the risk management process in place is appropriate.

For further advice and guidance, please see the risk management intranet site for contact details of the Risk Management Team.

<http://intranet.nottinghamcity.gov.uk/finance/risk-management/>

## Appendix A: Roles and Responsibilities

Risk management roles and responsibilities of colleagues, Councillors, committees and management teams:

Chief Executive	<ul style="list-style-type: none"> <li>• Ensure the design, production and operation of an effective risk management environment;</li> <li>• Incorporate risk management in all strategic business planning and decision making;</li> <li>• Ensure that the Risk Management Framework is implemented consistently across the Council via leadership of the Corporate Leadership Team (CLT);</li> <li>• Ensure the Framework is maintained and championed;</li> <li>• Ensure that there is sufficient management capacity and expertise across all Council departments;</li> <li>• Ensure that risks to key objectives at strategic, project, partnership and operational levels are identified and assessed regularly at CLT and appropriate actions taken in response by risk owners;</li> <li>• Ensure that risk issues are reported to Councillors with actions being taking.</li> </ul>
Corporate Director for Finance and Resources and Section 151 Officer	<ul style="list-style-type: none"> <li>• Champion the concept of risk and opportunity management and ensure its proper consideration at CLT and Audit Committee;</li> <li>• Ensure there is a sound system of financial control;</li> <li>• Ensure there is an up to date set of Financial Regulations;</li> <li>• Ensure that budget holders are trained to comply with Financial Regulations;</li> <li>• Ensure there are appropriate insurance arrangements in place and that these are reviewed at least annually;</li> <li>• Ensure appropriate resources and expertise is provided to robustly manage risk and realise opportunities.</li> <li>• Ensure there is an appropriate Risk Management Framework in place</li> </ul>
Monitoring Officer	<ul style="list-style-type: none"> <li>• Champion the application of the Risk Management Policy and Framework;</li> <li>• Ensure that Risk Management is embedded within the Governance Framework;</li> <li>• Take ownership and accountability of governance risks and the actions to mitigate them;</li> </ul>



	<ul style="list-style-type: none"> <li>• Incorporate risk management in all decision making;</li> </ul>
Corporate Directors	<ul style="list-style-type: none"> <li>• Take ownership and accountability of strategic and operational risks and the actions to mitigate them;</li> <li>• Incorporate risk management in all directorate business planning and decision making;</li> <li>• Proactively engage in risk management in their corporate leadership role, including engagement in the reports to CLT and Audit Committee;</li> <li>• Ensure the Risk Management Framework is implemented consistently within their directorates and within corporate cross-cutting themes;</li> <li>• Develop implement and maintain a Departmental Risk Strategy;</li> <li>• Take an active and visible role in the management of risks within their department for their corporate lead responsibilities;</li> <li>• Ensure that their department has an up to date Risk and Assurance Register that is reviewed by DLT at least once a quarter;</li> <li>• Demonstrate how significant risks are being managed;</li> <li>• Identify a risk management lead who is a senior manager at directorate level;</li> <li>• Provide assurance for the Annual Governance Statement;</li> <li>• Ensure that health and safety is integrated into the risk management activities of the department.</li> </ul>
Directors	<ul style="list-style-type: none"> <li>• Ensure that the Risk Management Framework is implemented across their services;</li> <li>• Incorporate risk management in all divisional business planning and decision making;</li> <li>• Ensure the establishment and maintenance of a Risk Register for their services that is regularly reviewed and updated;</li> <li>• Provide assurance for the Annual Governance Statement;</li> <li>• Ensure managers are accountable for their risks;</li> <li>• Ensure the Council's Risk Management Framework is visible, understood and implemented within their divisions;</li> <li>• Ensure that their service plans are effectively risk managed;</li> <li>• Ensure their colleagues and managers receive the relevant risk management training for their roles;</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensure that the management of serious risk is an explicit part of the coverage of Performance Appraisal processes.</li> </ul>
Head of Service and Team Leaders	<ul style="list-style-type: none"> <li>• Ensure that the Risk Management Framework is embedded in their team;</li> <li>• Ensure that colleagues receive a briefing on the risk management and health and safety policies at local induction;</li> <li>• Ensure that colleagues attend relevant training;</li> <li>• Ensure that all colleagues are aware of strategic, operational, team and personal objectives and their contributions to achieving those objectives;</li> <li>• Ensure that controls are operating effectively for the risks that they manage;</li> <li>• Ensure that any new risks identified within the team are fed through to the line manager;</li> <li>• Ensure that they contribute to a sound system of internal control by following policy and procedures designed to reduce business risk such as fraud.</li> </ul>
All colleagues	<ul style="list-style-type: none"> <li>• Be familiar with the Risk Management Framework;</li> <li>• Take general steps in their everyday working to reduce risk;</li> <li>• Manage risk effectively in their job and report threats and opportunities to their service managers;</li> <li>• Participate in risk assessment and action planning where appropriate;</li> <li>• Immediately report any incidents or near misses or any other incident they feel is relevant to their line manager / supervisor;</li> <li>• Adhere to Council policies and procedures;</li> <li>• Participate in risk management training.</li> </ul>
Head of Audit and Risk	<ul style="list-style-type: none"> <li>• Be responsible for the robustness and application of the Risk Management Framework (RMF) across the Council:</li> <li>• Ensure appropriate resources and expertise are provided to robustly manage risk and realise opportunities.</li> <li>• Ensure there is an appropriate Risk Management Framework in place</li> </ul>

	<ul style="list-style-type: none"> <li>• Report regularly to CLT, Leadership Group, Executive Panel, Executive Board and the Audit Committee on risk matters;</li> <li>• Develop the Council's annual audit programme taking into account the risks raised in the Corporate Risk and Assurance Register;</li> <li>• Co-ordinate the production of the Annual Governance Statement;</li> <li>• Support risk assessments conducted on the Council Plan and key partnerships and projects;</li> <li>• Act as a source of advice and good practice to Directorates;</li> <li>• Actively participate in the work of the Audit Committee.</li> </ul>
Insurance and Risk Manager/ Principal Risk Specialist	<ul style="list-style-type: none"> <li>• Co-ordinate regular risk reports to CLT, Leadership Group, Executive Panel, Executive Board and the Audit Committee:</li> <li>• Facilitate the quarterly review of directorate Risk and Assurance Registers at DLTs;</li> <li>• Work with the directorate Risk Champions to ensure a consistent approach to service, project and partnership priority risk management across the Council's departments;</li> <li>• Recommend and implement improvements to the Council's risk management processes;</li> <li>• Commission and / or deliver the Council's on-going risk management training programme;</li> <li>• Participate in continuing professional development to ensure that advice reflects emerging good practice and new developments.</li> <li>• Liaise with other Councils on risk management practice, particularly the identification of new and emerging risks to local authority priorities;</li> <li>• Be a member of ALARM and actively participate in networking, educational opportunities and sharing of good practice;</li> <li>• Commission reviews to evaluate risk management practice from internal audit or other specialists.</li> </ul>
Head of Resilience	<ul style="list-style-type: none"> <li>• Ensure that the Council complies with the requirements of the Civil Contingencies Act 2004;</li> <li>• Ensure the Local Resilience Forum (LRF) Community Risk Register is prepared annually and the programme of mitigation is undertaken;</li> </ul>

	<ul style="list-style-type: none"> <li>• Prepare, train and exercise Council wide Emergency Plans to mitigate the effects of incidents affecting the Council;</li> <li>• Oversee the work of the Departmental Emergency Planning Liaison Group through its 'Emergency Response and Recovery' and 'Continuity' work-streams;</li> <li>• Co-ordinate the development of appropriate Continuity Plans at Corporate, Directorate, Division and Service levels;</li> <li>• Co-ordinate the provision of appropriate Continuity Planning training and validation;</li> <li>• Have regard to the need for appropriate Continuity Plan implementation during the response to internal and external emergencies.</li> </ul>
Internal Audit Service	<ul style="list-style-type: none"> <li>• Provide an independent and objective opinion to the City Council on its governance, risk management, and internal control by evaluating their effectiveness in achieving the Council's objectives;</li> <li>• Regularly examine, evaluate and report risk management arrangements, to be completed either internally or commissioned externally;</li> <li>• Develop and agree an annual programme of audit focussed on the significant risks to the Council's objectives in conjunction with the Section 151 Officer;</li> <li>• Review the composition of the Corporate Risk and Assurance Register and individual strategic red risks;</li> <li>• Audit selected risks from the Corporate Risk and Assurance Register.</li> </ul>
Insurance and Risk Service	<ul style="list-style-type: none"> <li>• Identify insurable risks and determine risk transfer mechanisms in line with the Council's tolerance for risk:</li> <li>• Handle all claims in their entirety and identify historic and emerging risk trends;</li> <li>• Provide underwriting advice and support to Directorates on insurance and operations risk matters;</li> <li>• To establish and maintain Operational Risk management groups within services areas;</li> <li>• To be responsible for identification, assessment and facilitate mitigation of Operational Risk management across the Council;</li> </ul>

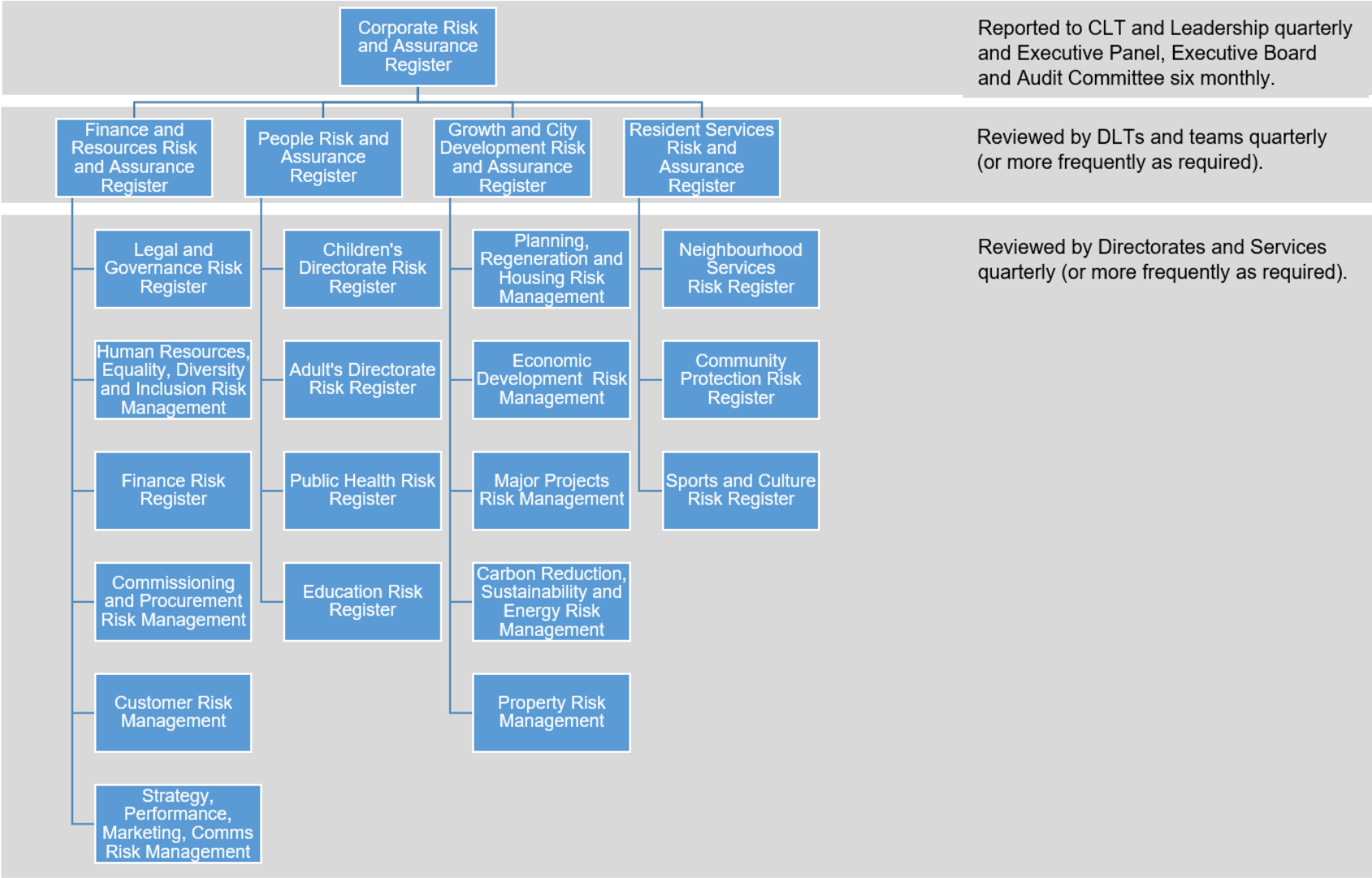
Executive Board	<ul style="list-style-type: none"> <li>• Ensure relevant risks are considered as part of decision making;</li> <li>• Review the Corporate Risk and Assurance Register six monthly;</li> <li>• Review risks within portfolio and ensure escalation to the Corporate Risk and Assurance Register where appropriate;</li> <li>• Raise awareness of risk management;</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• To evaluate and ensure the effectiveness of the Council's Risk management programme and associated control environment, assessing individual risks where necessary;</li> <li>• Receive and consider regular reports including the effectiveness of the Risk Management Framework.</li> </ul>
Corporate Leadership Team (CLT)	<ul style="list-style-type: none"> <li>• Own and manage the Corporate Risk and Assurance Register using the principles of the Council's Risk Management Framework;</li> <li>• Ensure consistent implementation of the Risk Management Framework across Council directorates, partnerships and projects;</li> <li>• Assess that suitable actions are taken to mitigate different levels of risk;</li> <li>• Ensure that controls are prioritised and that risk responses are proportionate;</li> <li>• Incorporate risk management in all strategic business planning and decision making;</li> <li>• Ensure risks are within the Corporate Risk and Assurance Register are scored at a Council wide level;</li> <li>• Accountable for Council wide risks and monitoring of controls and assurances.</li> </ul>
Directorate Leadership Teams (DLTs)	<ul style="list-style-type: none"> <li>• Review the Directorate Risk and Assurance Register on a quarterly basis;</li> <li>• Obtain assurance that the Directors are taking appropriate action on significant risks to strategic objectives;</li> <li>• Provide the Corporate Director assurance evidence for the Annual Governance Statement;</li> <li>• Promote risk management practice in line with the approved Risk Management Framework in the divisions;</li> <li>• Incorporate risk management in all strategic business planning and decision making;</li> <li>• Accountable for directorate wide risks and delivery of mitigations.</li> </ul>

## Appendix B: Glossary of Terms

Term	Description
<b>Assurance</b>	An evaluated and preferably independent opinion, based on evidence gained from review.
<b>Contingency Planning</b>	The process of identifying and planning appropriate responses to be taken when, and if, a risk actually occurs.
<b>Corporate Governance</b>	The ongoing activity maintaining a sound system of internal control by which the directors and officers of an organisation ensure that effective management systems, including financial monitoring and control systems
<b>Countermeasure</b>	An action taken to reduce the likelihood of a risk materialising. Sometimes it is used loosely to include a contingency plan
<b>Early warning indicator (EWI)</b>	A leading indicator for an organisational objective.
<b>Impact</b>	The result of a particular threat or opportunity actually occurring
<b>Inherent risk</b>	The exposure arising from a risk before any action has been taken to manage it
<b>Issue</b>	A relevant event that has happened, was not planned and requires management action.
<b>Opportunity</b>	An uncertain event with a positive probable impact
<b>Prevailing (or opening) risk</b>	The exposure arising from a risk having taken into account existing mitigations/counter measures
<b>Proximity (risk)</b>	The time factor of risk, i.e. the occurrence of risks will be due at particular times and the severity of impact will vary depending on when they occur
<b>Residual risk</b>	The risk remaining after the risk response has been successfully applied
<b>Risk</b>	An uncertain event or set of events that, should it occur, will have an effect (positive or negative) on the achievement of objectives
<b>Risk appetite</b>	The amount of risk an organisation, or a subset of it, is willing to accept.
<b>Risk capacity</b>	The maximum amount of risk that an organisation can bear.
<b>Risk cause</b>	A description of the source of the risk, i.e. the event or situation that gives rise to the risk
<b>Risk event</b>	A description of the area of uncertainty in terms of the threat or opportunity
<b>Risk Management Policy</b>	A high-level statement showing how risk management will be handled throughout the organisation
<b>Risk management Process Guide</b>	Describes the series of steps and activities to implement risk management
<b>Risk Management Strategy</b>	Describes the goals of applying risk management to the specific activity including the process to be adopted, roles and responsibilities, risk thresholds, timing of risk management interventions etc.
<b>Risk owner</b>	A role or individual responsible for the management and control of all aspects of individual risks including the implementation of measures taken to manage the risk.

<b>Risk profile</b>	Describes the types of risks faced by an organisation and its exposure to them
<b>Risk Rating (sometimes called score)</b>	A numerical score for a risk that reflects its seriousness: high ratings point to the most serious risks. It is normally equal to the product of a risks impact and likelihood scores.
<b>Risk register (or log)</b>	A record of risks relating to an initiative including status, history.
<b>Risk response (or treatment)</b>	Actions that may be taken to bring the situation to a level where the exposure to risk is acceptable
<b>Risk tolerance</b>	The threshold levels of risk exposure that, with appropriate approvals, can be exceeded, but which when exceeded will trigger some form of response.
<b>Strategic risk</b>	Risk concerned with where the organisation wants to go, how it plans to get there and how it can ensure survival.
<b>Terminate</b>	An informed decision not to become involved in a risk situation (i.e. To choose another path, which does not encounter that risk)
<b>Threat</b>	An uncertain event that could have a negative impact on objectives or benefits
<b>Tolerate</b>	An informed decision to accept the likelihood and the consequences of a particular risk, rather than trying to mitigate it by implementing a countermeasure or contingency plan
<b>Transfer</b>	An informed decision to transfer the risk to another party, who will accept the risk and/or reap the rewards. Insurance transfers risk of financial loss from insured to insurer
<b>Treat</b>	An informed decision to take additional action to further minimise the likelihood or impact of an identified risk.

# Appendix C. Risk Reporting Framework as at March 2022.





# Appendix D. Risk Appetite Statements and guidance for each risk category

## Financial Risk

These risks arise from the economic environment generally or financial situation of Nottingham City Council specifically. Examples could include financial losses due to increased costs, reduced return on investments, or an economic downturn

Category	Averse	Cautious
Financial	We are not prepared to accept any financial losses; we will actively seek options where financial loss isn't likely.	Only prepared to accept minimal financial losses. We will seek safe options with little possibility for financial loss

## Results

Responses to the survey suggested the council's appetite was higher, with the average falling within the cautious response rate. However, feedback from DLT sessions and from CLT suggested this level was too high and as such has been lowered to spread the averse / minimal categories. The context for this is, in part, the volatile external environment that also influences the economic and financial area. With Brexit and Covid-19 causing severe disruption and higher costs across multiple service delivery areas.



### Financial risk appetite statement

The current financial outlook for public sector organisations means we have to consider all financial impacts very cautiously. We are determined to maintain high levels of service delivery but this must be taken with a risk averse mindset to protecting the council finances and outlay.

## Customer / Citizen risk

These risks arise from the impact of our services on the citizens of Nottingham. This risk considers the negative impact our actions will have on the community and the potential increase in complaints received.

Category	Cautious	Open	Optimistic
Customer / Citizen	The council is only prepared to accept changes to service delivery which will have a small impact on the quality of service received by customers / citizens.	The council are happy to consider risks which could have a negative impact on citizens, however we want to be reasonably certain we can respond to the potential complaints fully.	The council are open to pushing boundaries on the changes to service delivery and accept this will incur some negative response from the wider community, but the gains are considered to outweigh the negatives.

## Results

Survey responses hovered around the middle option, Open. There was minimal fluctuation suggesting broad agreement in this category on an approach to risks which impact on the citizens of the city. Much like other risks, elements out of the control of the council were highlighted such as financial constraints and impact this has on the service quality.

It is worth noting, in keeping with the entirety of this report, the current circumstances within Nottingham dictate that service delivery is going to change to ensure the council's continued ability to meet its objectives. As part of these risk assessed changes, it is reasonable to assume there will be customer response as new processes and opportunities are embedded.



### Customer/ citizen risk appetite statement

The council takes a clear and consistent stance on the relationship it has with its customers. In order for change to happen there is likely to be disruption to some services and the quality of delivery our customers receive. The council will consider these any disruptions carefully but retains a broad appetite spectrum against which decisions may incur service disruption in the pursuit of considered and risk assessed opportunities.

## Health and Safety risk

Health and Safety risks consider potential injury or harm to staff because of the actions required of them whilst carrying out their duties of employment for Nottingham City Council and citizens utilising council services. The current risk categories range from no injury through to the potential of long-term health problems or fatality.

Category	Averse	Cautious
Health and Safety	We are not prepared to accept any injury to any member of staff because of their actions in carrying out their duties of employment or citizens accessing council services.	The council accepts that some functions include the potential for minor injury resulting in first aid. The council is prepared to accept these risks and will work with the individual settings and / or managers to ensure appropriate risk assessments are carried out.

## Results

The results from the survey highlighted a consistently low score for this area of risk. It demonstrates how Nottingham City Council are committed to ensuring the safety of its employees during work and citizens utilising council services. When considering a tolerance boundary and range, the feedback from DLTs and CLT was unanimous in its request to bring the high boundary line closer to that of the mean score. This provides us with the above responses.



### Health and Safety risk appetite statement

The council takes the safety of its employees and citizens very seriously and will ensure all actions are taken to minimise the potential for injury to the lowest possible level. The council recognises that the prevention of injury cannot be guaranteed across all roles, but it is committed to ensuring all risk assessments are undertaken and reviewed regularly and after any significant unforeseen events. Any duties where the risk to the individual is rated as higher than this will be subjected to greater challenge and scrutiny with actions sought to reduce the risk.

## Environmental risk

These risks arise from the physical environment Nottingham City Council operates in, and how this might affect extreme weather events and/ or climate change. The environmental risk category is designed to consider both short- and long-term environmental damages, as well as the potential for irreversible damage. Examples within this area could include flooding, high wind, or extreme heat; increased frequency of weather events; ability or willingness to adapt to climate change or pollution.

Category	Averse	Cautious
Environmental	The council is strongly averse to risks which are going to have a damaging environmental impact on the city and its residents.	Our preference is to consider risks which would have only localised, reversible, environmental impacts

## Results

The survey results indicated a strong link to the cautious appetite with most responses in that level. Through discussion with both DLT and CLT, and reflecting the council's commitment to carbon neutral, it was felt the appetite for this category should be altered to be as above.



### Environmental risk appetite statement

The council will take a broadly Averse approach to environmental risk, within reason, some risks with a localised and reversible impact on the environment will be considered and acceptable. Risks of increasing impact on the environment will not be tolerated.

The council recognises that some risks, and impacts, are unavoidable and likely to be outside of the council's direct control. The council can only influence and manage risks within its control.

## Legal / Legislation risk

These risks arise from the legal and regulatory environment. Examples could include non-compliance with employment law, procurement regulations, or health and safety legislation; poor corporate governance; not achieving standards of the Social Housing Charter; or non-compliance with standards required by a regulatory body, e.g., Care Inspectorate.

Commercial (improvement and assurance board, CLT visibility of any commercial risk) and legal compliance risk

Category	Averse	Cautious
Legal / Legislation	The council's preference is for actions which will ensure there are no breaches, even if this comes with additional costs	We are prepared to accept a higher degree of risk which may lead to a breach of local guidelines but only in certain circumstances

## Results

Survey results from DLT & CLT members were overwhelming in their stance of scoring this future appetite between Averse and Cautious categories. When the initial proposed boundaries were considered it was felt by CLT that the proposed high tolerance boundary for this risk was too high and beyond what the council really wanted to accept. As such, the high boundary was agreed at a maximum of 2, with the council prepared to accept up to a cautious approach to risks of this nature.



### Legal / Legislation risk appetite statement

The council has a zero tolerance to the consideration of risks which may involve breaking legislation. The council recognises opportunities may arise which need consideration and review against commercial law to determine an appropriate direction of travel.

## Workforce risk

These risks arise from the continually evolving area of impact on our staff. This category covers a wide range of potential impacts on Nottingham City staff. Considerations include but are not limited to; morale; sickness; turnover and capacity.

Category	Cautious	Open
Workforce	We are prepared to tolerate new ways of working which could have an impact on staff morale and / or an increase in staff sickness and grievances.	Where there is an appropriate business case and clear reasoning for change which has an identified impact on reducing staff morale, increase in staff sickness levels and the potential for short term reduction in staffing levels / capacity, the council is prepared to accept.

## Results

Similar to previous categories, the responses from individuals within the survey suggested the council should adopt a greater tolerance for potential disruption to its workforce. This view, when reviewed by DLTs and CLT was challenged, and the suggestion was to bring the top line boundary down to be closer to the mean average response. This creates the above range with a maximum suggested tolerance of cautious.



### Workforce risk appetite statement

The council takes the impact of its decisions on its staff very seriously. It considers the ongoing wellbeing and equalities as part of all decisions. Equally, there is a need for the council to consider new ventures and opportunities which generate disruption within the workforce whilst the changes are embedded. The council will consider people risks as part of the change management process and actively seek options which will help and support the council's desire to reduce the impact on staff.

## Physical Asset risk

This category focusses on the potential impact of all / any assets for which the council owns or has responsibility for as determined by the council's asset register. Impacts on council assets considers both the type of damage and the importance of the asset to which the damage is inflicted; this could include minor damage which requires repair but doesn't impact the functionality of the premises such as storm damage to doorways, through a broad spectrum which at the worst severity would render a key asset unusable – such as a large fire at the Council House.

Category	Cautious	Open	Optimistic
Physical Asset	The council preference is to consider risks where the potential impact on its assets is limited to minor damage with no impact on the day-to-day function of the asset.	The council recognises the potential for disruption to a key asset taking it out of use may be needed to ensure we meet objectives.	The council is willing to consider risks which could impact a key asset rendering it unusable but repairable. These risks will be considered within a wider discussion around financial solutions to managing the risk proportionally.

## Results

The survey results in this category demonstrated a consistent spread across the grades 2 / 3 & 4. The average response received was a 3 and subsequent feedback from CLT and DLTs agreed at the proposed tolerance bandings for the authority as being those shown above.



### Physical Asset risk appetite statement

The council demonstrates a willingness to consider risks on their individual merit, and as such, it is likely that some impacts will effect council assets. The council is prepared to consider and embrace this potential disruption providing the assets are not damaged beyond repair.

## Partnership Engagement risk

To fulfil its duties, Nottingham City Council will enter partnerships with various organisations. These circumstances give rise to potential risks to the council. These include challenges in aligning strategies with a partner organisation impacting on the ability to deliver a project; inability to deliver key objectives and relationship / reputation damage with key partner.

Category	Cautious	Open	Optimistic
Partnership Engagement	The council recognises different partners may have strategies which are difficult to align to our own, providing the deliverable aligns with the contract requirements, the council is prepared to accept these risks.	Collaborative working is the best case when working with partner organisations, the council is prepared to accept increased risks which may limit this possibility if the primary deliverables are achieved.	The council is willing to consider increased risks on key strategies and objectives given the complexities of the contract and the potential limit of suitable providers, if contract management responsibilities are clearly defined and carried out for the life of the contract to limit the likelihood of the risks materialising

## Results

All organisations need to consider the most appropriate delivery models to ensure it meets its objectives fully and within the most viable parameters such as costs. As such, it is not surprising to see the survey results indicate a general lean towards a cautious / open approach to engaging with partners whilst recognising the potential impact should the relationship deteriorate. This helps emphasise the importance of contract management within the mitigations.



### Partnership Engagement risk appetite statement

The council is already considering different ways of working and delivery of services which includes potential collaboration with suitably assessed prospective partners. The council's recent historic dealings with partners ensures that at the moment, it maintains a cautious approach to partnership engagement with detailed risk assessments needed for the consideration of any potential partner model.



## Reputation risk

These risks arise from social or reputational factors, which could lead to a loss of credibility or trust. Examples could include decisions that are unethical; decisions or actions involving treatment of people; or projects that don't turn out as expected.

Category	Averse	Cautious
Reputation	The council is averse to risks which are going to have a damaging reputational impact on the city and its residents.	The council would prefer no adverse coverage because of its decisions and actions; however, it will accept short term local media coverage

## Results

Although the responses in this category spanned from averse to hungry, the majority preferred a cautious approach. There's a feeling that the reputation of the organisation as a leader in quality and standards should be cherished to ensure continued confidence from staff, regulators and other stakeholders including the community. While unpopular decisions are sometimes necessary, the risk can be managed by careful planning, stakeholder engagement and clear communication. There needs to be a clear consideration if the mitigation of reputational risk results in having to expose the organisation to significant financial risk.



### Reputation risk appetite statement

The council is naturally averse to risks which will impact on the trust and impression of the council negatively. Risks which have reputational impacts must be clearly considered and appropriate mitigations established which include clear plans for communication and engagement with affected stakeholders.

## Service / Project / Programme Delivery risk

The scale and diversity of the council ensures it is delivering a wide range of services / projects and programmes daily, by a wide range of staff. The sheer scale of the organisation dictates that there is potential for errors and mistakes which impact the delivery of these tasks. The council's attitude towards these disruptions is considered and proportional based upon the likely impact and scale of disruption. Examples of disruptions could include staffing / skills changes, financial pressures, timescales for delivery, supply chain issues.

Category	Cautious	Open	Optimistic
Service / Project / Programme Delivery	The council would prefer to consider risks which have little or no impact on the delivery of objectives associated with service / project / programmes.	The council is prepared to consider potential delays to service / project / programme deliverables within agreed management controls from the officers responsible.	Where there is a clear reason or justification, the council is willing to consider risks which result in major delays to the service / project / programme delivery.

### Results

There is cautious optimism about embracing risks which could impact on the delivery of service / project or programme objectives. Survey responses suggested a need to be bold and embrace decisions which need to be made to support the overall delivery of the council objectives. This is tempered by an equal concern which came out in the survey responses which focussed around the need to ensure delivery remained on track with minimal delays. This highlights the potential conflict between this category and that of other areas such as financial and workforce.



#### Service / Project / Programme Delivery risk appetite statement

The council recognises the need to change and evolve what we do, and how we do it. With change, it is likely to encounter disruption to delivery models. The council is willing to challenge itself and the objectives it sets providing the impacts do not impact on the ability to deliver what is agreed or required however there needs to be recognition that these changes are likely to impact our customer perception.

## Opportunity risk

Council's, like all organisations should be encouraged to think about the positive aspects of risks. This helps to provide a rounded challenge and debate to other risk categories as the upsides to the risks should be considered. Opportunity risks consider these positive elements which range from new ways of working which improve customer experiences to financial benefits to the council.

Category	Cautious	Open	Optimistic
Opportunity	The council recognises the even minimal improvements to service delivery, reputation or financial benefit should be identified and pursued where time to achieve wont detrimentally impact objective delivery	The council is keen to pursue opportunities which have a moderate benefit to service delivery, reputation or finances.	Innovation is supported, but only where detailed Risk Assessments to understand benefits and consequences have been completed and provide confidence we will be successful in achieving these benefits

## Results

There was a clear preference for an open approach to opportunity risk, with some hungry to take on risk to achieve strategic objectives. There is a willingness to be bold and think outside the box in order to ensure innovation remains strong within the organisation, although there could be conflict with more cautious approaches in other categories. The organisation should be willing to make big decisions and move forward with ideas with confidence as long as there is an openness about failures followed by reflection and learning to avoid repeated failures.



### Opportunity risk appetite statement

We will be open to taking risks to achieve strategic objectives, where the benefit of doing so is clearly stated and we have confidence in the solution. We should be willing to challenge business as usual and ensure innovation is supported with carefully considered opportunities which demonstrate clear benefits to the organisation and there is confidence in our ability to achieve these benefits.

## Appendix E Risk strategy action plan at January 2022

### Action plan

Aim	Objective	Action/ deliverable	Timescale	RAG
Ensuring that Council approach and tools are in line with current risk management best practice.	External assurance of risk management approaches used at the Council.	Work with Strategic Risk Consultant at Zurich to review and continuously improve risk management practices.	Ongoing	Complete
		Complete self-assessment of current practices and Risk Management Framework against best practice.	January 2022	Complete
		Ask Zurich to review likelihood descriptors again to ensure in line with best practice.	March 2022	Complete
		Update Risk Management Framework based on findings of self assessment and consult on draft with CLT, DLTs, Audit Committee members, Zurich, PWC and Improvement Board members.	March 2022	Complete
		Benchmark risk management processes with core cities.	March 2022	Complete
		Meet with Integrated Commissioning Board partners to review risk management practices and align where possible.	Ongoing	Ongoing
Improving corporate risk management including	Implementation of a new format risk register which will	Adopt new risk register format for corporate and directorate risk registers.	June 2021	Complete

improved assessment and reporting of risks.	include strategic and operational risks, allowing further analysis and understanding of risk to support decision making and map related assurances using the three lines of defence model.	Further development of registers to identify and include clear metrics and indicators to measure individual risks.	June 2022	Expect to deliver in timescale
		Further development of registers to report mechanisms/ planned actions for risks in case of deterioration.	June 2022	Expect to deliver in timescale
		Discuss inclusion of high level company risks with Shareholder Unit.	February 2022	Complete
		Consider differentiating between risks and issues in register.	September 2022	Expect to deliver in timescale
		Incorporate timeliness of risks in the register – short, medium or long term.	September 2022	Expect to deliver in timescale
		Develop public facing strategic assurance register	June 2022	Expect to deliver in timescale
	Established corporate risk appetite statement set by CLT to support risk assessment and response.	Risk appetite survey of SLMG, workshops at DLTs and CLT delivered by Zurich,	Survey Aug 2021 DLTs Sept 2021  CLT Oct 2021	Complete
Provide a clear risk appetite statement that can be adopted across the Council.		January 2022	Complete	
Improving monitoring and reporting of risk at	Provision of training and support to divisions and	Review and development of existing online risk management training.	October 2021	Complete

directorate, division and service level.	services including implementation of best practice tools and techniques.	Formal launch of online training	January 2022	Complete
		Risk training delivered by Zurich for Heads of Service in January and February 2022.	March 2022	Complete
	Identification and training of risk champions at directorate, division and service levels.	Work with new Corporate Director for Finance and Resources when in post to further develop risk management at NCC.	June 2022	Expect to deliver in timescale
		Directorates asked to identify risk champions to lead on risk management.	July 2021	Complete G&CD - TBD
		Training delivered to directorate risk champions by external provider.	July 2022	Expect to deliver in timescale
		Directorate risk champions to take ownership of new risk registers and working with risk leads, provide continuous maintenance and updates to documents.	July 2022	Expect to deliver in timescale
		Divisions and services asked to identify risk champions.	June 2022	Expect to deliver in timescale
		Training delivered to risk champions by Zurich or other external provider on risk management.	July 2022	Expect to deliver in timescale
		Expand risk management team provide support to division leads on development of risk registers and their regular review.	June 2022	Expect to deliver in timescale

	Consistent quarterly monitoring of risks at service and division levels supporting escalation into directorate and corporate risk registers.	Assurance from service and divisions that risk registers are being reviewed and discussed at team meeting at least quarterly and that risks are escalated to department where needed.	July 2022	Expect to deliver in timescale
		Work with Performance team to include risk within Service Business Planning exercise	July 2021	Complete
		Work with performance team to integrate reporting.	July 2022	Expect to deliver in timescale
	Include risk management within culture work programme.	Discuss and agree approach for inclusion with Transformation team	August 2021	Complete
Improving scrutiny and understanding of risk management by members.	Provision of training to members on risk management.	Risk Management training session to Audit Committee members including role of Audit Committee delivered by Zurich.	December 2020	Complete
		Risk Management training session to Audit Committee chair and vice chair including role of Audit Committee delivered by Zurich.	January 2021	Complete
		Further training to Audit Committee members on how to scrutinise risk management approaches.	January 2022	Complete
		Training for Portfolio Holders on risk management in their areas of responsibility.	July 2022	Expect to deliver in timescale
		Training for members providing an overview of risk management.	July 2022	Expect to deliver

## Appendix F - Further guidance for identification of risks ALARM Risk Management Toolkit 2021

Originally from ALARM Risk Management Toolkit 2020. ALARM is a not-for-profit membership association that has supported risk management professionals for 30 years. They provide members with outstanding support including training, guidance and best practice, networking and industry recognition for excellence across risk management. For more information, visit [alarmrisk.com](http://alarmrisk.com) and follow @ALARMrisk on [Twitter](https://twitter.com/ALARMrisk) and [LinkedIn](https://www.linkedin.com/company/ALARMrisk).

### Risk Identification

Risk identification is one of the first major components of a best practice risk management process. The purpose of risk identification is to generate a comprehensive inventory of risks based on events that might create, prevent, accelerate or delay the achievement of the organisation's objectives. It is important that all risks are identified at each level of the organisation. These levels can include the board, departments and teams and should be aligned to your organisation's structure.

#### Risk identification techniques

A variety of techniques and methods can be used to identify risks. Choose one that works for your organisation. A variety of people from across the organisation should be able to input into the risk identification process. This will ensure all risks are identified.

**Start the process by reviewing the existing risk registers and ask three questions:**

1. Has the impact or likelihood of any of the risks recorded changed significantly?
2. Are any risks missing from the risk register?
3. Is anything planned over the next 12 months to present a significant risk?

#### Identify new and emerging risks

There are different techniques to help risk identification. They can be used together or at different times.

**Analyse previous losses, events, incidents and lessons learnt.** Review everything to identify common causes so related risks can be considered.

**Access relevant national reports, technical briefings, specialists (including internal experts) and guidance.** This is a good way to assess, disseminate and highlight wider risk issues relevant to your sector or industry.



**Checklists** are a good way of collecting a lot of risk information quickly. Use the risk universe (Appendix J) to help develop a risk checklist for your organisation. Be aware that checklists can narrow risk identification, so don't miss emerging risks.

**Horizon scanning** will ensure you are adequately prepared for potential opportunities and threats.

**Questionnaires** can be used to capture a wide range of perceptions from a large group of people in a relatively short timescale. If this is your chosen technique, send questionnaires to people carrying out different activities at all levels in the organisation. This can be an effective technique for risk identification within larger departments and organisations.

Example

**EXAMPLE**

**RISK IDENTIFICATION QUESTIONNAIRE**

<b>Name:</b>			
<b>Department:</b>			
<b>Role:</b>			
<b>Date:</b>			

	Risk description	Risk cause	Risk consequence impact
<b>What are the top five risks facing Organisation X?</b>			
1	Loss of critical electronic data following an IT failure.	Data back-up procedures are not performed or are performed inadequately.	Unable to continue day-to-day operations. Loss of key information.
2			
3			
4			
5			
<b>What are the top three current controls in place against each of the above risks? How effective are these controls?</b>			
1	IT policy – in part, not put into practice, out of date.	Dedicated staff – in full and effective.	Review of IT back up procedures – part complete.
2			
3			
4			
5			

**Interviews** enable risks to be explored in great detail. They are time consuming but can result in the collection of robust risk information. The key to effective interviewing is to spend more time listening than talking. The goal is to elicit essential risk information, such as a clear understanding of the unique risk, its causes and consequences.

Example

**EXAMPLE**

**INTERVIEW AGENDA**

- 1
**Introduction and background**
  - Clarify objectives and confidentiality.
- 2
**Overview of your role**
  - Link between the review of objectives and your responsibilities.
- 3
**Strategy and objectives**
  - What are the objectives or goals for your area of responsibility?
  - Are there any foreseeable major changes in your area in the next one to five years?
- 4
**Risk strategy and philosophy**
  - What is your understanding of the current risk management process?
  - How do you input into the risk management process?
  - Would you describe your organisation as risk taking or risk averse?
- 5
**Risk appetite and tolerance**
  - What key performance indicators do you measure the impact of a risk event against?
  - What size of risk is considered critical, and what is manageable?
  - What is your financial capability to withstand a major loss event?
  - How should likelihood of occurrence be measured, for example, short, medium and long-term?
- 6
**What are the key risks?  
For each key risk consider:**
  - What are the key causes or drivers?
  - What data is available?
  - What would be the impact to the organisation?
  - Does the risk represent an opportunity?
  - What are the current controls?
  - How are the risks monitored?
- 7
**Wrap up and close**

**Workshops** are a useful way to bring together stakeholders with different perceptions of risk and the potential consequences. In 2019, ALARM produced the *Risk workshop guide* providing step by step instructions on how to deliver risk workshops from conception to the production of a final risk workshop. The guide offers helpful hints and tips for delivering your own workshops and techniques on how to learn from successful workshops, as well as those that could have been better.

[This guide is available to download from the ALARM website.](#)

**SWOT (strengths, weaknesses, opportunities, threats) analysis** is a strategic planning method for an organisation. It identifies the strengths and weaknesses of

the organisation (internal) as well as the opportunities and threats (external) to the organisation.

Example

**EXAMPLE**

**SWOT ANALYSIS FOR A POLICE FORCE**

<b>Strengths</b>	A characteristic, resource, or capacity the organisation can use effectively to achieve its objectives.	<ul style="list-style-type: none"> <li>• Better equipment than three years ago</li> <li>• Strong and consistent leadership</li> <li>• Good communication across the department</li> <li>• High quality, consistent personnel</li> <li>• Good salary and benefits package.</li> </ul>
<b>Weaknesses</b>	A limitation, fault, or defect in the organisation that will keep it from achieving its objectives.	<ul style="list-style-type: none"> <li>• Run-down facility</li> <li>• Very limited budget</li> <li>• Limited manpower</li> <li>• Limited training availability and budget</li> <li>• Inadequate computer software for report writing</li> <li>• Reliance on volunteer or lower trained personnel for some services</li> <li>• Difficulties in collecting and tracking data.</li> </ul>
<b>Opportunities</b>	An uncertain beneficial event or condition that, if it occurs, results in favourable outcomes.	<ul style="list-style-type: none"> <li>• New police station</li> <li>• Three percent population growth</li> <li>• Residential developments</li> <li>• Relationship with city council</li> <li>• Volunteer groups</li> </ul>
<b>Threats</b>	An uncertain adverse event or condition that, if it occurs, results in unfavourable outcomes.	<ul style="list-style-type: none"> <li>• Increasing population but reducing police force</li> <li>• Downturn in the economy</li> <li>• Downturn in community support</li> <li>• Lack of consequences for committing crimes</li> <li>• Downturn in city council support.</li> </ul>

**PESTLEC (political, economic, sociological, technological, legal, environmental, cultural) analysis** is a useful technique for a helicopter view of the environment in which your organisation is operating.

Example

**EXAMPLE**

**PESTLEC ANALYSIS FOR A COUNCIL**

<p><b>Political</b></p> <p>Political decisions can impact on many areas in public service organisations.</p>	<ul style="list-style-type: none"> <li>• Changes to devolution and powers of councils.</li> <li>• Political uncertainty and changing priorities of local and national groups.</li> <li>• Pressure to become more commercial and provide support for local businesses.</li> </ul>
<p><b>Economic</b></p> <p>Funding is essential for public services and anything that impacts the economic climate will directly impact the ability to provide services.</p>	<ul style="list-style-type: none"> <li>• Changes in government priorities and fiscal policies can influence the need for alternative revenue streams.</li> <li>• Changing international economic relationships (Brexit) can impact local businesses and the support they require.</li> <li>• Push towards engaging partnering/ outsourcing to the private sector.</li> </ul>
<p><b>Sociological</b></p> <p>Changes in social trends can dramatically impact public service organisations; both on service demand and supply.</p>	<ul style="list-style-type: none"> <li>• An ageing population increases pressure on certain services.</li> <li>• The impact of social media on patient or public activism is a potential opportunity as well as a threat.</li> <li>• Changing expectations of the local community.</li> </ul>

<p><b>Technological</b></p> <p>New technologies create new products and new processes that can impact service providers and end users.</p>	<ul style="list-style-type: none"> <li>• Impact on reputation and services of not implementing new technologies.</li> <li>• Need to invest in provision of quality telecommunications to all communities.</li> <li>• Effective communication is essential.</li> </ul>
<p><b>Legal</b></p> <p>The legal framework in which public service organisations operate.</p>	<ul style="list-style-type: none"> <li>• Changes to statutory duties and the need to adapt to new regulations.</li> <li>• Litigation environment and the growth of 'no win no fee' arrangements.</li> </ul>
<p><b>Environmental</b></p> <p>Environmental events as well as increased environmental awareness or regulation can all impact public service organisations.</p>	<ul style="list-style-type: none"> <li>• Growing environmental, social and governance agenda.</li> <li>• Severe weather or public health emergency increases demand on services.</li> <li>• Flooding and other severe weather and the need for investment in counter measures.</li> </ul>
<p><b>Cultural</b></p> <p>The cultural environment in which the organisation is operating.</p>	<ul style="list-style-type: none"> <li>• Cultural diversity of the local area and the organisation's ability to ensure everyone is catered for.</li> <li>• Services are no longer in demand due to changing behaviours.</li> </ul>

**Delphi analysis** is a collaborative estimating or forecasting technique for building consensus among experts who interact anonymously. The topic under discussion is circulated continually among participating experts for comment and modification to reach a degree of mutual agreement.

**Delphi analysis for risk identification:**

- The facilitator asks participants to independently submit a list of risks they have identified (often facilitated by email or an online survey).
- The facilitator consolidates the risks submitted into a risk inventory.
- The risk inventory is circulated to all participants who are asked to add any additional risks to the list.
- This consolidation and circulation of the risk inventory continues until no additional ideas are generated.

**Bow tie analysis** is a visual illustration of the identified risk, its causes, consequences, proactive controls and reactive mitigation. A bow tie diagram provides a visual summary of all plausible scenarios that could exist around a certain hazard. It then identifies the control measures required, and how these measures could potentially fail. Control measures are the processes in place to mitigate the effect of the risk.

Bow tie analysis reveals escalation factors. An escalation factor is something that leads to an increased risk by reducing the effectiveness of controls, in other words something that prevents a control from working properly.

There are possible control measures for escalation factors as well, which is why there is also a special type of control called an escalation factor control. This has an indirect but crucial effect on the main hazard. By visualising the interaction between controls and their escalation factors, it becomes possible to see how the overall system weakens when controls have escalation factors.

Example

**EXAMPLE**

**BOW TIE ANALYSIS**

**Controls  
(Preventative)**

Supply vetting  
and review

Supply  
alternatives

Contingencies

Management  
control

Emergency fuel  
arrangements

**Causes**

Bankruptcy

Industrial dispute

Lack of staff

Equipment failure

Communications  
failure

Over committed

Transport (road,  
network, fuel,  
shortages)

**Supply chain failure**

**Consequences**

Negative press

Unbudgeted  
costs

No service

Blocked road  
networks

Lose evidence

Increased  
criminal activity

**Controls  
(Mitigating)**

Prepared  
statements

Extra funding/  
find savings

Control activity  
to key areas

Activate emergency  
supply controls/list

## Appendix G – Simple Risk Register Template

Risk Ref	Risk Description (Risk event)	Potential causes	Potential impacts	Risk Lead	Date identified	Existing mitigations	Current Risk Rating			Outs
							Likelih.	Impact	Score	

		Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Likelihood	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Highly likely (5)	5	10	15	20	25

## Appendix H - Further guidance for treatment of risks - ALARM Risk Management Toolkit 2021

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### **When evaluating what treatment options to employ, consider:**

- Existing best practices to treat the risk.
- Critical controls that will achieve the risk reduction required as part of the risk treatment or mitigation plan.
- Costs associated with different treatment options against associated benefits.
- How other organisations mitigate the same risk.

### **Developing action plans**

An action plan records the additional controls to further mitigate the risk

#### **The action plan should include (at least):**

- The action to be completed
- The person responsible for completing it (the control owner)
- The target completion date.

This information can be recorded in the risk register as additional columns alongside each of the relevant risks.

### **Assign risk owners and develop an action plan**

Each organisation should decide how many risks are assigned to a risk owner; this may occur for all risks or just top risks to the organisation. The risk owner should be someone with knowledge of the risk area and be senior enough to insist actions are completed. The risk owner should develop an action plan in collaboration with relevant stakeholders. Action plans should be used as a tool for assigning and monitoring additional action identified to mitigate the risk.

Example



**EXAMPLE**

**ACTION PLAN**

<b>Risk number/ID</b>	
<b>Risk</b>	
<b>Risk owner</b>	
<b>Review period</b>	

<b>Risk scoring</b>	Impact	Likelihood	Risk score
<b>Inherent</b>			
<b>Residual</b>			
<b>Risk cause(s)</b>		<b>Risk consequence(s)</b>	

<b>Is the risk a threat or an opportunity?</b>	
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<b>Current controls</b>

<b>Description of controls</b>

<b>Additional response required</b>	<b>Priority</b>	<b>Person responsible</b>	<b>Target Completion</b>

<b>Last review date</b>	
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# Strategic Risk Management Annual Report 2021/22

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## Introduction

Risk management is needed to understand the threats and opportunities associated with delivering Nottingham City Council's services. It makes us think about the decisions we take and how we manage everyday service delivery, projects and our work with partners. Risk management is often concerned with the adverse potential of risk but not all risk is bad. Some opportunities can only be unlocked by taking risks. The key to success in these situations is to take risks knowingly by properly assessing them and managing them appropriately.

The following statement sums up the purpose of risk management:

*Risk management is a process that allows individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities and outcomes*

(Definition from APM Body of Knowledge 7th edition).

It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking.

Strategic risk management will be embedded and developed across the Council through:

- Ensuring that Council approach and tools are in line with current risk management best practice;
- Ensuring corporate level risk management is in place including assessment and reporting of risks;
- Ensuring monitoring and reporting of risk at corporate, directorate, divisional and service level;
- Ensuring scrutiny and understanding of risk management by officers and members;
- Extensive interactive and online training and workshops.

## Key Controls (1<sup>st</sup> line of defence and assurance)

### Refreshed Risk Management Policy and Framework

The refreshed Risk Management Policy and Framework was approved by CLT in March 2022 and presented to Executive Board in April 2022. The Framework sets out the Council's approach to risk management and includes a policy, a strategy and a detailed risk management toolkit:

- The policy states that the Council is committed to the proactive management of risks, outlines the Council's active promotion of the principles of effective risk management and includes the risk appetite statements agreed by CLT;
- The strategy sets out the aims, principles and objectives for risk management, how the framework will be communicated, including training, delivery, monitoring and an action plan;
- The toolkit provides guidance to managers, to assist them in undertaking any risk management activities.

The previous version approved by CLT in November 2020 has been reviewed and updated to incorporate changes recommended following a self- assessment against best practice. Feedback on the Framework has also been incorporated from Executive members, Audit Committee members, CLT, PWC and Zurich. Extensive feedback has also been received from Improvement Assurance Board members in writing and through meetings with the overall opinion of the document being positive.

A risk management intranet site is available to colleagues and provides access to the Policy and Framework, supporting documents including risk templates and a quick reference toolkit for managers, online risk management training and contact details for the risk team.

### Approved Risk Appetite

A risk appetite statement clarifies an organisation's approach to striking the balance between innovation, upside, and higher risk on the one hand and lower risk, stability, but lack of forward momentum on the other. CLT approved the Council's risk appetite in March 2022 as part of the Risk Management Policy and Framework refresh. The appetite is set against the backdrop of the current financial, governance and operational challenges faced as highlighted in the Public Interest Report published in August 2020, the findings of the subsequent Non-Statutory Review in November 2020 and the section 114 notice relating to the Housing Revenue Account in January 2022 and this is reflected in the current risk appetite levels. All risks should be considered in this context as the Council implements the Together for Nottingham Plan and works with the Department for Levelling Up, Housing and Communities (DLUHC) via the Improvement and Assurance Board to address the changes required to reach a sustainable position.

In the development of the risk appetite, input was sought from DLT and CLT members within the organisation. Senior officers were asked to give their view on what they felt the risk appetite should be for each risk category within the Risk Management Policy and Framework. The

gradings are on a five-point scale with corresponding risk scores included to aid comparison to the current risk matrix. With this information the responses were analysed and reviewed in each category and corresponding statements of appetite were agreed by CLT. The statements are intended to provide guidelines in dealing with uncertainty that follows new initiatives and signposts colleagues to the types of business-as-usual risks they should be considering. The scores included with each category's statements provide a threshold for risk owners to consider risk treatment and escalation.

The Council's risk appetite and individual statements for each risk category can be useful in two ways:

- When considering the best response to strategic risks to the Corporate Plan, as set out in the Corporate Risk and Assurance Register;
- When making specific key decisions and the risk implications of accepting or rejecting a course of action.

Compliance with the risk appetite statements, is required for all risk management practices and is to be regulated through existing risk reporting channels at DLTs, CLT and via the Risk Management Team. The risk appetite statements, and their application, are incorporated into risk and assurance register templates, the supporting guidance for the Council's risk matrix and training available to all staff.

The risk appetite of the organisation can be represented visually by the graph below which shows an overall cautious/open attitude towards risk.

Category	Averse (1-5)	Cautious (6-10)	Open (11-15)	Optimistic (16-20)	Hungry (21-25)
Financial					
Customer / Citizen					
Health and Safety					
Environmental					
Legal / Legislation					
Workforce					
Physical Assets					
Partnership Engagement					
Reputation					
Service / Project / Programme Delivery					
Opportunity					

In the graph above, terms used can be defined as follow:

- Averse – The council's appetite towards risk is low and there is minimal desire to take risks to achieve objectives, risks need to be carefully managed within a tightly controlled process, consequences are considered to be intolerable.
- Cautious – The council is prepared to accept more risk assuming risk management processes remain in place and outcomes monitored, innovation is avoided.
- Open – Refers to the council being willing to take on more risk within areas where positive outcomes are considered to be more than likely, consequences are ones which can be absorbed and tolerated
- Optimistic – Recognises that consequences are likely in pursuit of changes and advances of the council. Some of these consequences may be above acceptable boundaries, but success of delivery remains broadly confident
- Hungry – this appetite refers to risks which we are actively embracing in pursuit of innovative changes whilst recognising that failure remains a possibility

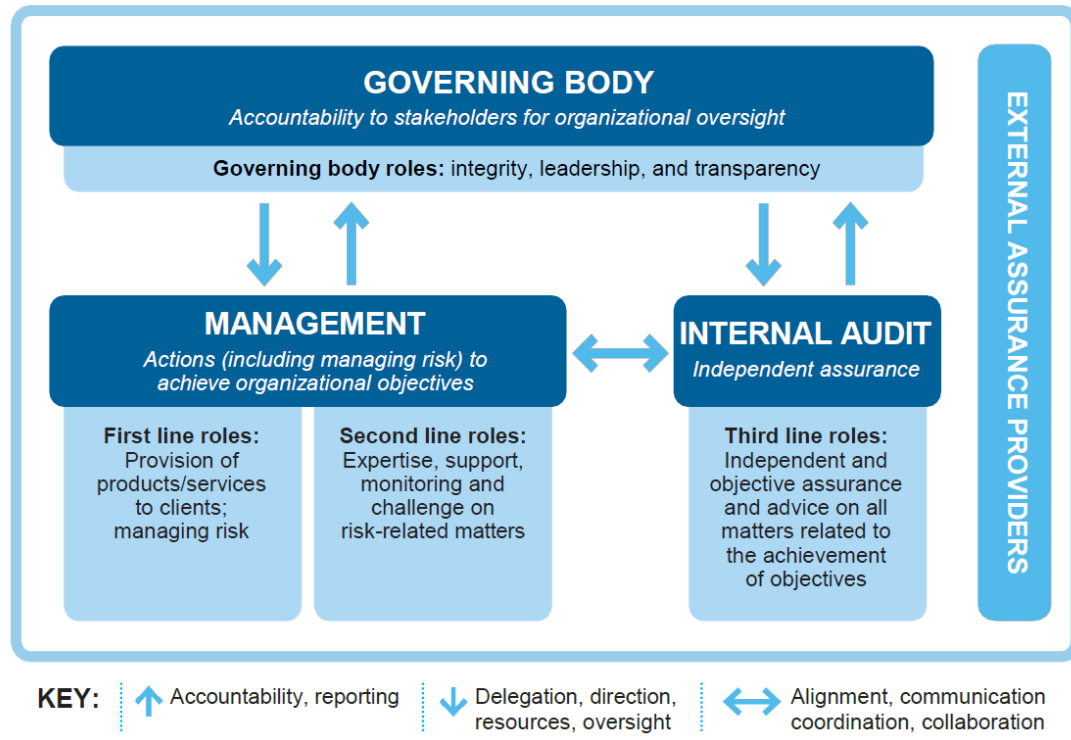
Appendix D of the Risk Management Policy and Framework provides a detailed risk appetite statement for each category, including context and guidance for application.

### **Implementing a new Corporate Risk and Assurance Register**

A Risk and Assurance Register for corporate and directorate level risk management was developed and implemented in July 2021 to provide assurance to CLT and Members that all key strategic risk areas are being controlled effectively alongside the management of high level operational risks. The register has been populated with risks agreed at DLTs and includes risks that were previously reported via the full Corporate Risk Register and High Level Corporate Risk Register.

The aim of the Risk and Assurance Register is to demonstrate the state of effectiveness of the arrangements in place to deliver objectives and highlight issues that need attention. The Register follows the Three Lines of Defence Model (see image below) and provides a summary for each strategic and operational risk of all key controls, how they are managed and internal and external assurances available for these.

## The IIA's Three Lines Model



All risks within the registers are assessed in terms of likelihood (probability of the risk occurring) and impact (consequences if it did occur). The Council has a Risk Assessment Matrix which sets the values to be attributed to each risk for both of these elements. This is a '5x5' matrix and the assessed scores of impact and probability are multiplied together to determine the overall risk score, to a maximum of 25.

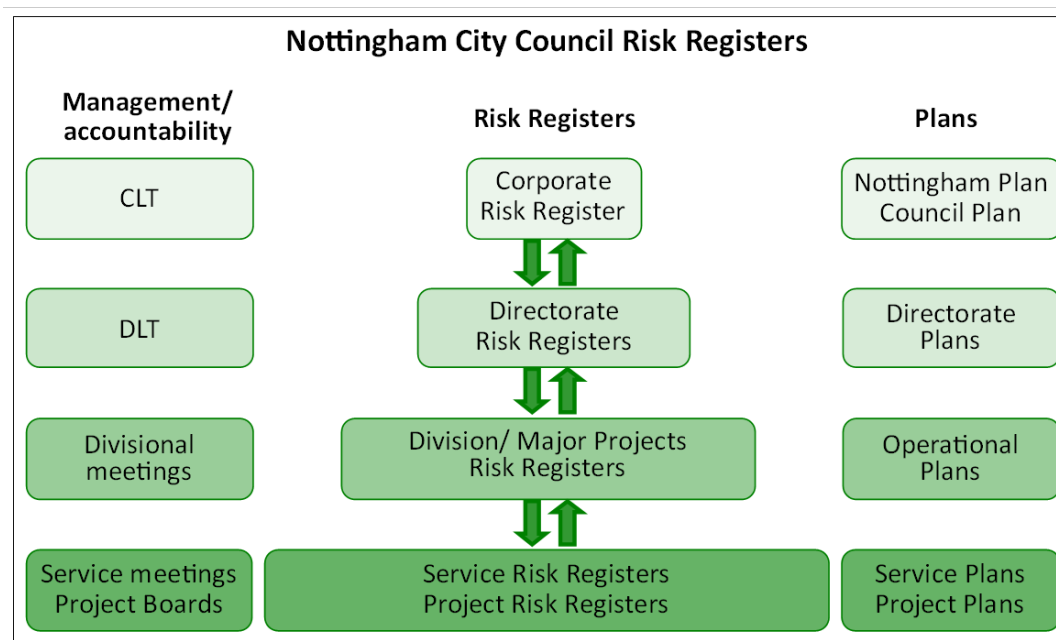
All risks are assessed against the Council's 11 risk categories to ensure the full impact of the risk is understood should the threat or opportunity materialise. All impact areas are scored using the Council's matrix guidance and where a risk applies to multiple categories, the risk owner will assess the impact levels across the areas and score the overall impact level based on the most significant area of risk. The Council's 11 risk categories are listed below.



Financial	•Change of external factors, budget, financial planning, control framework and/ or impact of Council group companies
Citizen/ communities	•Ability to effectively deliver services which meet the changing needs and expectations of customers and citizens
Legislative or Regulatory	•Meeting requirements and/or law changes
Environmental	•Physical environment, e.g. extreme weather events; climate change
Partnerships	•Delivering services in conjunction with potential partners e.g. disagreements; changed priorities; failure of supply chain
Reputational	•How the Council is viewed by both internal and external stakeholders, impact on delivery of Council priorities
Health and Safety	•Possibility of injury to citizen and/ or workforce
Workforce	•Staff engagement, retention, capacity and capability
Physical assets	•Physical condition of assets, e.g. buildings, vehicles, plant and equipment
Delivery	•Disruption and delays to project, programmes and/ or services
Opportunity	•Improvement to project, service or other risk area

### Quarterly risk reviews

A risk reporting process is in place to support escalation of risk throughout the Council as required. Risks can move between registers based on seriousness and required oversight and support. The escalation process is shown diagrammatically as follows:



Risks are reviewed by Divisional leads, Directorate Leadership Teams, CLT and Leadership Group quarterly. The corporate register is also reviewed by Audit Committee, Executive Panel and Executive Board six monthly. Please see table below for collective risk review dates for 2021/22:

Group	Q1 2021/22	Q2 2021/22	Q3 2021/22	Q4 2021/22
<b>Finance and Resources DLT</b>	17 May 2021	6 October 2021	23 February 2022	27 April 2022
<b>Growth and City Development DLT</b>	26 May 2021	22 September 2021	26 January 2022	20 April 2022
<b>People PLT</b>	2 June 2021	6 October 2021	9 February 2022	20 April 2022
<b>Resident Services DLT</b>	2 June 2021	22 September 2021	9 February 2022	25 April 2022
<b>CLT</b>	6 July 2021	19 October 2021	8 March 2022	10 May 2022
<b>Leadership Group</b>	15 July 2021	4 November 2021	24 March 2022	30 May 2022
<b>Executive Panel</b>	29 July 2021		31 March 2022	
<b>Executive Board</b>	21 September 2021		28 April 2022	
<b>Audit Committee</b>		26 November 2021		24 June 2022

The Strategic Risk Team provides facilitation for the quarterly individual and collective reviews of risks at directorate and corporate level.

### **Risk improvements during 2021/22**

As part of quarterly reporting, a summary of any change to risks is provided alongside the full Risk and Assurance Registers. The registers and reports include details of any actions required to reduce risk levels. During 2021/22, four corporate level risks were reduced in scoring following implementation of identified risk actions and demonstrating effective risk management.

### **Committee/ Board decision making**

Risks are formally considered within the decision making process:

- All reports to committees include a section for risk management issues;
- All reports to informal meetings include a section for risk management considerations;
- Consideration of risk is required for all delegated decisions and is recorded within Delegated Decision Making (DDM) forms;
- Weekly agenda item at CLT for risk update;
- DLT consider risk regularly, for example weekly agenda item for Finance and Resources DLT.

### **Officer training**

Alongside the online risk training available to all colleagues via the Learning Portal, dedicated virtual training has been delivered to members of the Council's Senior Leadership Management Group on the refreshed Risk Management Policy and Framework. The sessions have been led by the Council's insurer's Strategic Risk Consultant and local government specialist as part of the strategic risk management support from insurers.

Three sessions were delivered in February and March 2022 and two further sessions are scheduled in July. Further sessions are currently being considered, with the eventual aim being sessions planned twice a year on an ongoing basis.

Attendees at the training have provided very positive feedback and the next two scheduled sessions are fully booked.

## Member training

Risk Management training was delivered to all Audit Committee members during 2020/21. The session was facilitated by the Council's insurer's Strategic Risk Consultant as part of the strategic risk management support from insurers. The training provided an overview of the importance and relevance of Risk Management in achieving the Council's goals, the risk management principles and processes at the Council and the role of the Audit Committee.

Risk Management training was also delivered to the previous Audit Committee Chair and Vice Chair during 2020/21. This session was also facilitated by the Council's insurer's Strategic Risk Consultant and the training provided an overview Risk Management principles.

Training	Date	Number attended/ number booked
For All Audit Committee	7 December 2020	9 members
For Chair and Vice Chair	21 January 2021	2 members

Further tailored training is planned for both executive and non executive members.

## Management and Reporting (2<sup>nd</sup> line of defence and assurance)

### Leadership

The Risk Management Policy and Framework and Corporate Risk and Assurance Register are owned and managed by the Corporate Leadership Team (CLT). CLT have the following responsibilities for risk management:

- Own and manage the principles of the Council's Risk Management Policy and Framework;
- Ensure consistent implementation of the Risk Management Policy and Framework across Council directorates, partnerships and projects;
- Assess that suitable actions are taken to mitigate different levels of risk;
- Ensure that controls are prioritised and that risk responses are proportionate;
- Incorporate risk management in all strategic business planning and decision making;
- Ensure risks within the Corporate Risk and Assurance Register are scored at a Council wide level;
- Accountable for Council wide risks and monitoring of controls and assurances.

## **Strategic Risk Management Team**

The Strategic Risk Management Team is led by the Head of Audit and Risk with support from the Principal Risk Specialist who holds Management of Risk (MoR) Foundation and Practitioner accreditations.

## **Risk Management support from Insurers**

The risk team work closely with the Council's insurers to review the approach and processes through the strategic risk consultant, who has reviewed and provided feedback to all the Council's risk management policies, frameworks and tools and has delivered all key training across officers and members.

## **Networks**

The risk team are members of the Association of Local Authority Risk Managers (ALARM), having access to their resources, training and networking opportunities to support benchmarking.

The risk team are members of the East Midlands Risk Management Group who meet to share best practice around managing risk.

The risk team also liaise with core cities through various networking groups to share policies, templates and best practice in risk management.

## **Self assessment**

In December 2021, the risk team completed a self-assessment of the strategic risk management processes and Risk Management Framework in place at the Council. The aim of the review was to assess the effectiveness and embeddedness of risk management at the Council. The self-assessment was completed in three parts:

- An evaluation of current practice and the Risk Management Framework against best practice, in particular the Association of Local Authority Risk Manager's (ALARM) Risk Management Toolkit 2021.
- An assessment of the current maturity of risk management at the Council using recognised risk maturity models to measure the effectiveness of risk management processes.

- A review of Risk Management Frameworks and corporate risk recording and reporting formats implemented in other local authorities, making comparisons and highlighting differences with Nottingham City's framework and reporting.

The self assessment informed the refreshed Risk Management Policy and Framework and all identified actions as part of the assessment were incorporated into the risk management strategy and improvement plan.

### **Audit Committee**

The Audit Committee's risk management role is to provide assurance on the adequacy of the Council's Risk Management Policy and Framework and the associated control environment by reviewing the mechanisms for assessing and managing risk. This includes ensuring that relevant managers undertake active risk management.

A Corporate Risk and Assurance update is provided to Audit Committee on a six monthly basis. This includes an update on progress of embedding risk management across the Council and an opportunity to review the latest Corporate Risk and Assurance Register.

## **Internal Audit (3<sup>rd</sup> line of defence and assurance)**

### **Internal Audit**

The Risk Management Policy and Framework and approach has also been assessed through internal audit, a follow up audit being completed in 2019 showing an improvement from limited assurance to significant assurance and the most recent audit in 2021 recording significant assurance and showing a similar direction of travel.

## **External Assurance**

### **Improvement and Assurance Board**

The Head of Audit and Risk meets monthly with the Chair of the Improvement and Assurance Board to provide updates on the progress of implementing and embedding risk management across the Council.

## **Actions required (gaps in assurances and/ or controls)**

Following approval of the Risk Management Policy and Framework in March 2022, additional work and training is planned to further embed risk management across the Council.

### **Further training for members**

Further training for members is planned throughout 2022/23, including:

- Further training to Audit Committee members on how to scrutinise risk management approaches;
- Training for Portfolio Holders on risk management in their areas of responsibility;
- Training for members providing an overview of risk management.

### **Further training for officers**

Further training for officers is also planned throughout 2022/23, including:

- Further training for Senior Leadership delivered by Zurich scheduled in July 2022;
- Further development of the online training module to incorporate changes in the Risk Management Policy and Framework;
- Further support and training for divisions and services will be delivered as part of the transformation programme. This will include training sessions and register development across services.

### **Risk Appetite**

Following agreement of the risk appetite statements and thresholds for the Council, these have been embedded within Risk and Assurance Registers to support risk owners when assessing risk levels. Further work to promote and embed the risk appetite will include:

- Analysis of existing risks against risk appetite levels;
- Discussions at DLTs as part of next risk review to review findings of analysis;
- Report to CLT next quarter on assessment of existing risk within the Corporate and Directorate Registers against appetite.

### **Corporate Risk and Assurance Register**

Further development of the risk and assurance register format and presentation is also planned in 2022/23 including working with the performance team to align reporting.

## **Conclusion**

This is the first annual report for the strategic risk function and highlights the enormous progress made to embed strategic risk management across the Council during 2021/22. During the year, the team have seen positive engagement and consultation with colleagues and evidence of risk management processes being embedded. This progress has been possible due to the strong leadership and support for risk management from the Chief Executive, Corporate Director for Finance and Resources, CLT and DLT members and the chair of the Audit Committee.



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