SUBJECT: RISK MANAGEMENT – ANNUAL UPDATE

REPORT BY: CHIEF EXECUTIVE

LEAD OFFICER: JACLYN GIBSON, CHIEF FINANCE OFFICER

1.   Purpose of Report

1.1   This report details the risk management framework adopted by the Council and the risk management activity during 2018-19.

2.   Executive Summary

2.1   The Council's Risk Management Strategy has recently been reviewed and is presented for Members information. The Strategy is based on a risk appetite methodology approach to the management of the Council's risks that reflect the environment in which it operates.

2.2   A key element of the Council's management of its risks is the development and monitoring of the key strategic risks, those which could affect the Council's ability to achieve its priorities during the year. The Council's Strategic Risk Register currently identifies ten strategic risks.

2.3   An Internal Audit, undertaken during 2018-19, of the Council's risk management arrangements concluded that there was substantial assurance that the Council had effective risk management arrangements in place.

3.   Background

3.1   Risk management is about controlling, transferring and living with risks so the focus is on becoming risk aware, not risk averse. This puts the Council in an informed position to make the right decisions and enable us to manage risk.

3.2   Specific elements of Risk Management are outsourced to Lincolnshire County Council's (LCC) Assurance Lincolnshire service in order to provide the level of expertise that we require. This includes support in the development of risk management strategies and approaches along with access to the County Council's resources i.e. training, provision of documentation, toolkits. The development and monitoring of the Council's strategic, operational and project risk registers however remains a role that is undertaken by the Council through the Corporate Management Team and Directorate Management Teams.

3.3   As part of the reporting protocol within the current Risk Management Strategy both the Executive and Performance Scrutiny Committee receive reports on the Strategic Risk Register to consider the status and movement of all strategic risks at that particular point in time.

4.   Risk Management Strategy

4.1   As a result of the need to regularly review the Strategy and due to the launch of the Council's new Vision 2020 the Council's Risk Management Strategy reviewed during 2018-19.

There have been no significant changes to the Strategy or the Council's approach to risk management, the revised Strategy is attached at Appendix A.

4.2   "Risk appetite" can be defined as the amount of risk that an organisation is willing to take on in pursuit of value, or the total impact of risk an organisation is prepared to accept in its pursuit of its strategic objectives. Defining the Council's risk appetite provides the strategic guidance necessary for decision making.

4.3   All Members, senior officers and officers with risk management roles and responsibilities have been provided with training and guidance on the 'risk appetite' approach. For officers this is supplemented by a Risk Management Toolkit which sits alongside the Strategy as a practical guide for officers undertaking their risk management responsibilities.

5.   Formulation of the Strategic Risk Register

5.1   The Council's Strategic Risk Register is developed under the risk appetite methodology. Now that training and guidance on this approach has been provided to all officers, as set out above, this methodology is now in the process of being applied to the Council's operational and project risk registers.

5.2   The Strategic Risk Register for 2018-19 was initially formulated by the Corporate Leadership Team in early 201/19 and presented to the Executive and Performance Scrutiny Committee. This has subsequently been reviewed and reported to both Committees on a quarterly basis, to consider the status and movement of the strategic risks at that particular point in time. A copy of the latest Strategic Risk Register is attached at Appendix B.

5.3   Each risk is scored based on likelihood and impact to allow prioritisation of the risks as High (Red), Medium (Amber), or Low (Green) with their ownership.

5.4   The status of the ten strategic risks currently identified is as follows:

No:	Risk Rating	Likelihood	Impact
1	Amber/Medium	Possible	Major
2	Red/High	Probable	Critical
3	Amber/Medium	Possible	Major
4	Amber/Medium	Possible	Major
5	Amber/High	Possible	Critical
6	Amber/Medium	Probable	Major
7	Amber/Medium	Possible	Major
8	Amber/Medium	Possible	Major
9	Red/High	Almost Certain	Major
10	Amber/Medium	Probable	Critical

5.5 The application of risk appetite to each of the ten risks has also been undertaken, this determines the level and nature of controls that are either in place or need to be implemented. This ensures that the controls in place are proportionate to the risk itself and the Council's appetite for risk within that area.

5.6 As the Strategic Risk Register is a live document it is subject to continuous review and any risks identified i.e. from Directorates may receive consideration for inclusion accordingly.

6. Formulation of the Directorate (Operational) Risk Registers

6.1 Each Directorate identify the key risks within their service areas resulting in the formulation of a Directorate Risk Register. These registers contain those risks that are mainly of an operational nature and may only concern one particular directorate or department.

6.2 Regular review of the Register and respective mitigation/action plans are then undertaken at the Directorate Management Team meetings. Any major risks identified by Directorates can also be elevated for consideration to be added to the Strategic Risk Register as required.

6.3 Assurance has been given by Directorates that the Risk Registers and mitigation/actions plans have been reviewed at their Directorate Management Team meetings and are up to date.

6.4 In addition to the Directorate Risk Registers individual projects and new policies, either of a service or strategic nature are required to develop and monitor a project risk register. These registers are overseen by the relevant operational boards, e.g., Towards Financial Sustainability Programme Team, Western Growth Programme Board.

7. Risk Advisory Group (RAG)

7.1 Corporate Leadership Team, Service Managers Team and Safety Matters Review Group with the majority of the responsibility for risk management issues is overseen by the Corporate Leadership Team which consists of all of the Assistant Directors. Services Managers Forum monitor operational risks.

8. Training

8.1 Risk Management training is made available to the City of Lincoln Council via Lincolnshire County Council.

8.2 There is a comprehensive training programme for all officers who have roles and responsibility for risk management that is delivered every 2 years. A series of training has been undertaken in 2018/19 for the following groups:

- Service Managers Forum – May 2018
- Corporate Leadership Team – June 2018
- Members - July 2018

In addition individual training and support has been provided to project officers as and

when requested.

An e-learning package has been drafted and is currently being made available digitally online for the purpose of refresher training and for new staff as part of their induction process. This will be completed in 2019/20.

9.   Risk Management Benchmarking

9.1   Although the Council has historically benefited from participating in the benchmarking exercise undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) and The National Forum for Risk Management in the Public Sector (ALARM) 2015 was the final year that it participated.

9.2   The decision to no longer participate was taken as it was considered to be of limited value to continue to participate. In recent years the number of participants in the exercise has gradually reduced, with many authorities looking to reduce costs and officer time, none of the other Lincolnshire Districts participate any longer and the comparator group who do participate only includes one other district Council.

9.3   Moving forward, the Greater Lincolnshire Risk Management Group (GLRMG) has conducted their own annual benchmarking exercise between the districts within Lincolnshire. This has been a much simpler way of benchmarking and enables us to share best practice without being too onerous. This is found in Appendix C.

9.4   This was undertaken in October 2018 and there were 9 members of the group that participated in this exercise.

The assessment is based on a maturity level on a scale of 1-5, where level 5 is the highest level of maturity. The assessment is based upon the principals of best practice in risk management as recognised by;

- The International Standard ISO31000
- The British Standard BS31100:2008
- HM Treasury
- The institute of Risk management, and
- ALARM, the Public Risk Management Association

9.5   The benchmarking was measured in the following areas:

- Leadership and Management – level 4
- Strategy and Policy – level 4
- People – level 4
- Partnership ,Shared Risk and Resources – level 3
- Processes – level 4
- Risk Handling and Assurance – level 3
- Outcomes and Delivery – level 4

Overall this is a good result and a suitable work plan for 2019/20 has been prepared to support these scores.

10.   Greater Lincolnshire Risk Management Group (GLRMG)

10.1   The Principal Risk Officer from Lincolnshire County Council (LCC) represents the City of Lincoln Council at GLRMG and updates the Risk Advisory Group of GLRMG activity. Reflecting the reduction of dedicated risk management resources with the local authorities and a move to joint support through LCC and embedment of working practices into the day to day work of all officers, meetings now only occur on an annual basis. The purpose of such a meeting being to share best practice, co-ordinate approaches and maximise the use of resources. The main focus of the meeting during 2018-19:

- Comparison exercise of each Authorities Strategic Risk Registers, identifying commons themes/risks and responses.
- Division of benchmarking survey for Greater Lincs
- Revision of Partnership Risk Registers
- Cyber risk
- Brexit implications (lead is LCC)

11.   Internal Audit

11.1   During 2018/19 Internal Audit undertook a review of the Council's Risk Management processes as part of a wider audit of Governance and Risk. The audit covered the following potential risks in relation to risk management:

- The purpose of this review was to focus on the Strategic and Directorate risk registers to ensure that they are up to date, regularly reviewed and risks are actively managed including:

  o   Responsibility

  o   Risk registers and their review and oversight (DMT/CMT/Members)

  o   How focus is maintained on the key registers

  o   Risk mitigation actions—responsibility and tracking

  o   Mega-project risk management / risk registers

  o   Links to the toolkit—e.g. ensuring risk registers moved onto the new version

11.2   The overall level assurance opinion was substantial and it concluded that the Council had effective risk management arrangements in place, specific areas of good practice were identified as;

- The Council continues to work with Lincolnshire County Council who provide risk management advice and guidance

- A new tooklit has been developed and rolled out with training for service managers completed

- Service manager group have recently taken on the role of the previous RAG (Risk Advsory Group), and will in future as part of that role review DRR and SRR risk registers and feed any comments back to CLT

- Project management guidance now includes the new register templates

- The strategic risk register is regularly reviewed by officers (CMT) and members

- The Risk management strategy has been reviewed and updated

- Risk appetite training has been completed and largely rolled out

11.3 There were however some improvements required in relation to how some aspects of operational risk management currently operate, these being;

- Ensure that all Directorate risk registers (and other key registers) are brought up to date uisng the new template

- Consider a more pro-active monitoring role to review compliance

- Finalise training for Assistant Directors and CMT on the new tooklit

- Consider additional guidance on the front of the template and remind Directorates to complete target dates/responsibilty on outstanding further actions

11.4 A copy of the Audit report is as attached at Appendix D.

12.   Strategic Priorities

12.1 Sound risk management is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in the Strategic Plan/Vision 2020, and that it does so in accordance with statutory requirements.

13.   Organisational Impacts

13.1 Finance – There are no direct financial implications arising as a result of this report. The Council's Strategic Risk Register contains two specific risks in relation to the Medium Term Financial Strategy and the Towards Financial Sustainability Programme.

13.2 Legal Implications including Procurement Rules – The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of Internal Control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and considerations about risk, such as provided in this report, is part of the way in which the Council fulfils this duty.

14.   Risk Implications

14.1 This report relates to overall risk management, the Audit Committee should know about the most significant risks facing the Council and be assured that the risk

management framework is operating effectively.

15.   Recommendation

15.1   That Members note the Risk Management framework adopted by the Council and also the Risk Management activity undertaken during the year.

Key Decision	No
Do the Exempt Information Categories Apply?	No
Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
How many appendices does the report contain?	Four
List of Background Papers:	N/A
Lead Officer:	Jaclyn Gibson, Chief Finance Officer Telephone 873258