

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 2020-21.

2. Executive Summary

- 2.1 The Council's Risk Management Strategy 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 sixteen strategic risks.
- 2.3 City of Lincoln Council, like all other local authorities, has had to make dramatic changes as a result of the three national lockdowns resulting from the COVID-19 pandemic, not only to ensure that we kept our critical services functioning, but also to deliver a community leadership role for our city in a time of crisis. Throughout this period the Council has continued to actively manage the strategic, operational and project risks it faces.
- 2.4 As a result, the council was not in a position to produce an annual risk management report in April 2020 due to reprioritising workloads and managing risk management in alternative ways.

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 As a reminder to Members 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 Committee 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 There have been no significant changes to the Strategy or the Council's approach to risk management, the Strategy is attached at Appendix A. The Strategy is required to be reviewed every three years with the next review during 2021.
- 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.
- 5.2 The Strategic Risk Register for 2020-21 was initially formulated by the Corporate Leadership Team and has subsequently been reviewed by Corporate Management Team and risk owners throughout 2020-21 during the pandemic. This registered contained ten strategic risk as follows:
- 1) Failure to engage & influence effectively the Council's strategic partners, council staff and all stakeholders to deliver against e.g. Council's Vision 2025.
 - 2) Failure to deliver a sustainable Medium Term Financial Strategy (that supports delivery of Vision 2025).
 - 3) Failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council.
 - 4) Failure to ensure compliance with statutory duties/functions and appropriate governance arrangements are in place.
 - 5) Failure to protect the local authority's vision 2025 due to changing structures and relationships in local government and impact on size, scale and scope of the Council.
 - 6) Unable to meet the emerging changes required in the Council's culture, behaviour and skills to support the delivery of the council's Vision 2020/2025 and the transformational journey to one Council approach.

- 7) Insufficient levels of resilience and capacity exist in order to deliver key strategic projects & services within the Council.
- 8) Decline in the economic prosperity within the City Centre.
- 9) Failure to mitigate against the implications for the Council following the outcome of Brexit.
- 10) Failure to deliver key strategic projects.

5.3 Six new strategic risks emerged during 2020-21:

- 11) Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money
- 12) Failure to work in partnership to sustain support to vulnerable residents post COVID19
- 13) Failure to put in place safe working practices and social distancing measures to protect officers and service users
- 14) Failure to comply with current safeguarding legislation and procedures
- 15) Failure to Meet the councils PREVENT duties
- 16) Failure to mitigate against the risk of a successful cyber-attack against the council with significant / critical impact

A copy of the latest Strategic Risk Register is attached at Appendix B (Part B item only).

5.4 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.

5.5 The status of the sixteen 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	Probable	Major
4	Amber/Medium	Possible	Major
5	Amber/Medium	Possible	Major
6	Amber/Medium	Probable	Major
7	Red/High	Almost Certain	Major
8	Amber/Medium	Probable	Major
9	Green/Low	Hardly Ever	Minor
10	Amber/Medium	Probable	Major
11	Red/High	Probable	Critical
12	Amber/Medium	Possible	Major
13	Amber/Medium	Possible	Major
14	Red/High	Probable	Critical
15	Amber/High	Possible	Critical
16	Red/High	Probable	Critical

- 5.6 The application of risk appetite to each of the sixteen 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.
- 5.7 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. This is demonstrated by the escalation of new risks incorporated into the register during 2020-21.

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 Review of the Register and respective mitigation/action plans are then undertaken at the Directorate Management Team meetings (DMT's) usually on a quarterly basis. Any major risks identified by Directorates can also be elevated for consideration to be added to the Strategic Risk Register as required.
- 6.3 During the pandemic a slightly different approach was undertaken, as well as monitoring at DMT's, a Corporate Leadership Team meeting was undertaken weekly which consisted of Chief Executive, Directors, Assistant Directors and key business continuity officers, alongside a Lincs Emergency Planning colleague who went through key risks to the organisation, ensuring that the council were compiling with government guidelines, safety to our communities by reviewing services regularly and keeping our staff safe whilst working either at home or out in our communities.
- 6.4 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 or in the process of undergoing a whole scale review in preparation for post pandemic Lincoln.
- 6.5 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 and Dewint Court Project Board.

7. Training

- 7.1 Risk Management training is made available to the City of Lincoln Council via Lincolnshire County Council.
- 7.2 A comprehensive training programme for all officers who have roles and responsibility for risk management is delivered every 2 years. A series of training is being identified for the following groups as this is now due:
- Officers including CLT and project managers.

- Members

In addition, individual training and support is provided to project officers as and when requested.

An e-learning package for managers/project officers is available on City People for the purpose of refresher training and for new staff as part of their induction process.

8. Risk Management Benchmarking

8.1 Although the Council has historically benefited from participating in the benchmarking exercise undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) 2015 was the final year that it participated.

8.2 During the pandemic the Greater Lincolnshire Risk Management Group (GLRMG) has not met due to work priorities but they would usually conduct their own benchmarking exercise between the districts within Lincolnshire, every 2 years. This has been a much simpler way of benchmarking and enables us to share best practice without being too onerous.

The membership includes Lincolnshire district Councils and 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

8.3 The benchmarking is measured in the following areas and our last outcome 2 years ago was as follows:

- 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

The next benchmarking exercise is due to be conducted in 2021-22.

8.4 The Council through the support from Lincolnshire County Council have numerous other avenues to provide assurance on our risk management practices through:

- The Forum for Risk Management in the Public Sector (ALARM) and have been updating their Partnership guidance in gaining assurances on risk management through partnerships and this work will continue into 2020-21 which we will input into and review throughout the year.

- East Midlands Risk Management Group distribute surveys regularly and should we wish we can participate again through our support from Lincolnshire County Council.

9. Greater Lincolnshire Risk Management Group (GLRMG)

9.1 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 did not take place during the pandemic but the Group has recently met and have undertaken a review of the past year sharing knowledge and learning. Work is ongoing to share risks and commence a programme of work, coordinating approaches and maximising the use of resources.

The main focus of the meetings during 2021-22:

- Comparison exercise of each Authorities Strategic Risk Registers, identifying common themes/risks and responses.
- Confirmation of governance for each authority, sharing learning and use of risk management champions in each authority
- Review of risk management software sharing good practice
- Division of benchmarking survey for Greater Lincs
- Revision of Partnership Risk Registers

10. Internal Audit

10.1 An internal Audit was undertaken in 2020-21 and the overall level assurance opinion was substantial. Internal Audits are usually conducted every two years.

10.2 There was one improvement required in relation to how some aspects of operational risk management currently operate, being;

- Report Directorate risk registers to CMT as part of the quarterly SRR review

This recommendation has been actioned. A copy of the audit report is set out at Appendix C.

11. Strategic Priorities

11.1 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 draft Strategic Plan/Vision 2025, and that it does so in accordance with statutory requirements.

12. Organisational Impacts

12.1 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.

12.2 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.

13. Risk Implications

13.1 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.

14. Recommendation

14.1 Members consider and comment upon 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? Three
Appendix B is Part B only

List of Background Papers: N/A

Lead Officer: Jaclyn Gibson, Chief Finance Officer
Telephone 873258