SUBJECT: **RISK MANAGEMENT – ANNUAL UPDATE**

REPORT BY: **CHIEF EXECUTIVES AND TOWN CLERK**

LEAD OFFICER: **JACLYN GIBSON, CHIEF FINANCE OFFICER**

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1. **Purpose of Report**

1.1   This report details the risk management framework adopted by the Council and the risk management activity during 2021/22.

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   Due to Covid 19 pandemic there was a need to prioritise resources and some actions due in 2021/22 were postponed until 2022/23, these being;

- A review of the Risk Management Strategy and Framework
- Communication and training on the Risk Management Framework
- Benchmarking activity with other Lincolnshire Districts

2.3   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 12 strategic risks.

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 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 As a result of the need to regularly review the Strategy and following the publication of the Council's Vision 2025, the Strategy is due for renewal and is scheduled for renewal in Quarter 2 2022/23.

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 2021/22 was initially formulated by the Corporate Leadership Team and presented to the Executive and Performance Scrutiny Committee. This initial Register contained 13 risks, as follows:

1) Failure to engage & influence effectively the Council's strategic partners, council staff and all stakeholders to deliver against the 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 deliver key strategic projects.

10) Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money

11) Failure to put in place safe working practices and social distancing measures to protect officers and service users

12) Failure to protect the vulnerable in relation to the Council's PREVENT and safeguarding duties.

13) Failure to mitigate against the risk of a successful cyber-attack against the council

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. This has resulted in one risk, No. 11, being removed from the Register as it had been at Green status for over 6 months, leaving 12 remaining risks.

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

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 12 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	Red/High	Probable	Critical
6	Amber/Medium	Possible	Major
7	Red/High	Almost Certain	Major
8	Red/High	Almost Certain	Critical
9	Amber/Medium	Probable	Major
10	Red/Medium	Probable	Critical
12	Amber/Medium	Possible	Critical
13	Red/High	Probable	Critical

5.5   The application of risk appetite to each of the 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., Western Growth Programme Board/Rookery Lane.

7.   Training

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

7.2   There is a comprehensive training programme for all officers who have roles and responsibility for risk management that is delivered every 2 years, however due to the pandemic this has been delayed, but has been scheduled for 2022/23. Member training is also timetabled for 2022/23.

In addition, individual training and support has been provided to project officers as and when requested throughout the year.

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

8.   Risk Management Benchmarking

8.1   The Greater Lincolnshire Risk Management Group (GLRMG), which includes the Lincolnshire District Councils, conducts their own regular benchmarking exercises. This has been a much simpler way of benchmarking and enables the sharing of best practice without being too onerous. Due to the pandemic this was last undertaken in 2019/20.

8.2   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 last benchmarking exercise, resulted in the following assessments across a range of areas, as follows:

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

8.4 Benchmarking is undertaken every two years, however due to pandemic this will be picked up in 2022/23.

9. Greater Lincolnshire Risk Management Group (GLRMG)

9.1 The Principal Risk Officer from Lincolnshire County Council (LCC) represents the Council at GLRMG and provides updates back to the Council of the activity undertaken. 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 occur on a 6 monthly 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 meetings during 2021/22 has been:

- Reflection during and following the covid 19 pandemic which included changes to risk appetite and further key risks arising from the pandemic
- General refocus on the GLRMG, review of terms of reference etc
- Reporting structures and governance around risk management
- Share updated risk registers and comparison of risks/mitigations
- Fraud and co-ordination of those risks

10. Internal Audit

10.1 The last internal audit of the Council's risk management arrangements was undertaken in 2021/22, with an overall assurance level opinion of substantial. Internal audits are usually conducted every two years. The scope of the audit included:

- To determine how all aspects of the risk management framework is operating (implementation of the corporate Strategy and Framework at strategic and operational levels, and in other areas of the business including programmes, projects and financial planning etc)/

10.2 There was one improvement required in relation to how some aspects of operational risk management currently operate in ensuring that all risk registers are reviewed regularly with robust processes in place. It is appreciated that during this time there were projects that were put on hold and resources were significantly redeployed elsewhere. The monitoring and reviews have been reinstated on a quarterly basis following the pandemic.

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 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.

12.3   Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

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?

Two
Appendix B is Part B only

List of Background Papers:

N/A

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