SUBJECT:	**RISK MANAGEMENT – ANNUAL UPDATE**
REPORT BY:	**CHIEF EXECUTIVE AND TOWN CLERK**
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 the last 12 months.

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 As was previously reported to this Committee, as a result of the Covid19 pandemic, and the subsequent need to prioritise resources, 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

Work in these key areas has now either been actioned during 2022/23 or is scheduled for 2023/24.

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 13 strategic risks and is reported to both the Council's Executive and Performance Scrutiny on a quarterly basis.

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 impact of the Covid19 pandemic on capacity and priorities, the scheduled 3-yearly review of the Council's Risk Management Strategy did not take place as planned in 2021. This review has now been undertaken with the latest Strategy attached at Appendix A. There were no significant amendments made to the Strategy, there were a number of minor updates to ensure it reflected Vision 2025 and best practice guidance. The changes made to the Strategy are as highlighted in the appendix.

4.2 The Strategy seeks to achieve a number of objectives included setting the "tone from the top" in terms of the Council's "Risk appetite", this 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. As part of the review of the Risk Management Strategy, the Council's risk appetite was also considered to ensure it remained relevant to the environment in which the Council now operates.   This review concluded that the Council's risk appetite remains as "creative and aware", with the following statement:

> *"The Council wishes to be **creative** and open to considering all potential delivery options with well measured risk taking whilst being **aware** of the impacts of its key decisions. The Council is prepared to 'take leaps of faith' on this basis, with an acceptance that it might not always work out as planned. As an authority it is prepared to take calculated risks to achieve its vision and strategic priorities".*

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 2022/23 was initially formulated by the Corporate Leadership Team and presented to the Executive and Performance Scrutiny Committee. This initial Register contained 12 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 (in the context of the cost of living crisis impact on households and businesses within the City).

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 protect the vulnerable in respect of the Council's PREVENT duties and compliance with safeguarding legislation and procedures

12) Failure to mitigate against the risk of a successful cyber-attack against the council with significant / critical impact

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 regular review has resulted in the identification of a new emerging risk as follows:

13) Impacts of the Government's migration policy on the Council's service delivery, capacity and MTFS as well as the impacts for the City as a whole

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 13 strategic risks currently identified is as follows:

No:	Risk Rating	Likelihood	Impact
1	Amber/Medium	Possible	Minor
2	Red/High	Almost Certain	Critical
3	Red/High	Almost Certain	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	Almost Certain	Critical
12	Red/Medium	Probable	Critical
13	Red/High	Almost Certain	Major

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., Central Market/Housing IT/Ground, Street Cleansing & Waste procurement.

7.   Training

7.1   Risk Management training is made available to the City of Lincoln Council via Lincolnshire County Council. Training was provided in June 2023 for the Services Managers Team, this focussed on key elements of the Risk Management Toolkit and the development and monitoring of risk registers. Training was also provided to the Corporate Leadership Team in June 2023, focussing on the Strategic Risk Register and controls/mitigations. An all Member training session is scheduled for August 2023.

7.2   **Greater Lincolnshire Risk Management Group (GLRMG)**

The Principal Risk Officer from Lincolnshire County Council (LCC) has been representing 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 has been:

- Reporting structures and governance around risk management
- Share updated risk registers and comparison of risks/mitigations
- Fraud and co-ordination of those risks

Towards the end of 2022/23, the Principal Risk Management Officer at LCC has reviewed their commitment to the group and the group now meets on a "as and when basis" and found that engaging with nearest neighbours across a wider area would be more beneficial and are now part of the East Midlands Risk Management Group and with this in mind we will be engaging with this group from 2023/24.

8.   Risk Management Benchmarking

8.1   The Greater Lincolnshire Risk Management Group (GLRMG), which includes the Lincolnshire District Councils, has historically conducted 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. This has however not been undertaken since the Covid19 pandemic, due to capacity across all group members.

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   As a reminder, 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   As detailed above the next benchmarking exercise will be undertaken with East Midlands Risk Management Group, this is proposed to be undertaken in quarter 3 of 2023/24. This will widen the Council's exposure to other local authorities in the region in sharing best practice and risk management activity with a wider audience.

9. Internal Audit

9.1 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)/

9.2 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.

9.3 There are no internal audits of the risk management framework or activity scheduled for 2023/24.

10. Work Programme for 2023/24

10.1 A work programme for risk management activity is now in place for 2023/24 which includes the following activity:

Quarter 1
Refresh and update of the Risk Strategy to incorporate categorisation of controls (update as set out in paragraph 4)
Refresh and update of E-learning on the Hub

Training for Service Managers and project managers and Corporate Leadership Team (update in paragraph 7)

Quarter 2
Training for Members

Quarter 3
Benchmarking with East Midlands Risk Management Group

Monitoring and reporting into Performance Scrutiny and Executive committee will continue to be undertaken quarterly and annually to Audit Committee.

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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