RISK MANAGEMENT UPDATE

Cabinet Member for Finance & Procurement, Customer Services and Revenues and Benefits

Date:	22 July 2020
Agenda Item:	5
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Key Decision?	**NO**
Local Ward Members	

Lichfield district council
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AUDIT & MEMBER STANDARDS COMMITTEE

1.   Executive Summary

1.1   To provide the Committee with their routine risk management update.

2.   Recommendations

2.1   That Members note the risk management update and receive assurance on actions taking place to manage the Council's most significant risks.

3.   Background

3.1   The purpose of risk management is to effectively manage potential opportunities and threats to the Council achieving its objectives. Part of the Audit & Member Standards Committee's terms of reference is 'to monitor the effectiveness of the Council's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management'. This report supports the Committee in achieving this objective.

3.2   The strategic risk register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its strategic plan. This assessment ensures that there are the right measures in place to control the potential risks to our business objectives. Risks are assessed based on their likelihood of occurrence and their potential impact. Each of these are rated on a scale of 1 (Low), 2 (Medium), 3 (Significant) and 4 (High). By multiplying the two scores together, each risk receives a score.

3.3   The Council's approach to risk is detailed within the risk policy - LINK HERE

3.4   At the Committee's last risk management briefing, the Committee were informed that the 'corporate risk register' was to be reviewed - to align it to the new strategic plan and to incorporate the 3 lines of assurance model. This work has now been completed. The corporate risk register has been re-named the 'strategic risk' register to clarify it as strategic and organisation wide; as well as to avoid any confusion with 'corporate' services. The new Strategic Risk Register is detailed at **Appendix 1**.

3.5   The global pandemic Covid-19 has had a significant effect on the Council's operations, since the last risk update to the Committee. This risk became an issue which has needed to be addressed dynamically with support of the Council's resilience / business continuity systems (in partnership with Staffordshire County

Council's Civil Contingencies Unit). While restrictions continue to be gradually lifted, Covid-19 remains a significant factor in the Council's risk management arrangements going forward. The Strategic Risk Register has been updated to reflect this.

3.6   In compiling the new register, previous corporate risks have been reviewed by the Leadership Team and where these remain relevant, they have been brought forward into the new register. Linkages to the previous corporate risk register are as below:

Previous Corporate Risk	New Strategic Risk
COR1 - A failure to respond to changing demographics.	Subsumed into SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.
COR2 - Economic growth/Performance of the local economy/Integrity of the Local Plan.	SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.
COR3 - The financial resources available are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve their targets.	SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance.
COR4 - Capacity to deliver all of the outcomes required in the Councils Strategic Plan with the particular workforce and organisational development challenges we currently face.	SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.
COR5 - Governance & statutory obligations.	SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law.
COR6 - How ICT supports business outcomes and our reliance on IT to achieve our strategic ambitions.	SR6: Failure to innovate and build on the positives / opportunities / learning arising from the Covid-19 situation to maximise outcomes for the Council.
COR7 - Impact of Stakeholder strategies on our Strategic Plan.	Subsumed into SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.
COR8 - Failure to manage a major incident.	SR2 - Resilience of teams to effectively respond to a further serious disruption to services.

3.7   Following Leadership Team's risk workshop, the Council's top 7 strategic risks are as below, together with their position on the matrix:
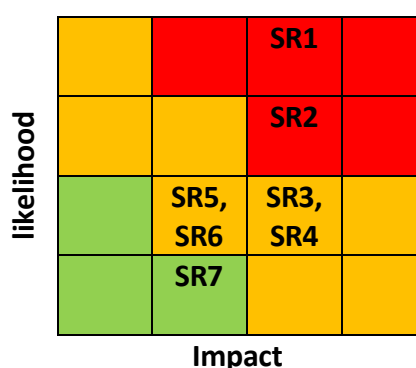
SR1: Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance.
SR2: Resilience of teams to effectively respond to a further serious disruption to services.
SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.
SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law.

SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.

SR6: Failure to innovate and build on the positives / opportunities / learning arising from the Covid-19 situation to maximise outcomes for the Council.

SR7: Threat to the Council's ICT systems of a cyber-attack.

3.8   SR1 and SR2 are currently outside of appetite (within the red zone) and are therefore being actively managed to bring them back within tolerance.

3.9   Due to the need to concentrate on business critical functions during the Covid-19 crisis, the work to review of the effectiveness of our sub strategic (service / operational) and project risk arrangements, including the use of Pentana as our system for recording risks, has been delayed. This work will be picked up again in quarter two.

Alternative Options	1. None.
Consultation	1. Leadership Team have been consulted on the Strategic Risk Register.
Financial Implications	1. Risk management processes consider value for money at all times of the process. Failure to manage risks could lead to the Council being faced with costs that could impact on its ability to achieve its objectives
Contribution to the Delivery of the Strategic Plan	1. Sound risk management ensures that risks affecting the delivery of the strategic plan are identified and managed.
Equality, Diversity and Human Rights Implications	1. None.
Crime & Safety Issues	1. None.
GDPR/Privacy Impact Assessment	1. N/A

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Failure to manage known risks proactively	Strategic risks are closely monitored by the Audit & Member Standard Committee and Leadership Team. Reports to Audit & Member Standards Committee provide assurance that active steps are being taken to control risks.	Green (tolerable)

Background documents

Relevant web links

Lichfield district council
www.lichfielddc.gov.uk

Strategic Risk Register – June 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council, developing prosperity, shaping place, enabling people	**SR1 Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance** The risk is influenced by: • The spending review. • Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review. • The financial impact of the Covid-19 pandemic in the current year and beyond. **Owner:** Head of Finance & Procurement (Section 151 Officer).	16 (L4xI4)	• Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by Local Government Finance experts. • Risk assessed minimum level of reserves set at £1.6m. • Routine budget monitoring reported to Leadership Team, Cabinet and Strategic (OS) Committee. • Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures. • In terms of the Covid-19 pandemic – introduction of enhanced monthly income monitoring and receipt of financial assistance from Government.	12 (L4xI3) ↔	4 (L2xI2)	• Update of the Medium Term Financial Strategy **Responsibility: Head of Finance and Procurement / commenced July 2020 and approval in February 2021**	**1st Line:** • Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years. • A longer term financial plan covering a 25 year horizon for revenue budgets. • Approved Treasury Management Strategy. • Production of monthly budget reports to Managers. **2nd Line:** • Leadership team review of 3, 6, 8 and 12 month reports to Cabinet, Strategic (OS) Committee. • Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee. **3rd Line:** • External Audit – going concern test and sign off of financial statements 2019/20. • Internal Audit of Accountancy and Budgetary Control 2018/19 -substantial assurance.

Strategic Risk Register – June 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council, developing prosperity, shaping place, enabling people	**SR2 Resilience of teams to effectively respond to a further serious disruption to services** (e.g. multiple layer disruption arising from flooding, coupled with a local outbreak / second wave of Covid-19, other pressures - such as seasonal flu). **Owner:** Leadership Team	8 (L2xI4)	• Mutual aid assistance • Local Resilience Forum. • Tested business continuity arrangements in place. • Strong links with the Staffordshire CCU and wider Local Resilience Forum. • Actively engaged in ongoing Local Resilience Forum response and recovery work streams. • Experienced (from the 1st wave of Covid-19) Leadership Team and supporting teams in place to respond.	9 (L3xI3) ⬆	6 (L2xI3)	• Links to actions arising from recovery strategy e.g. Encourage digital contact, harness and encourage the spirit and commitment shown by the Council and the Community in response to recovery **Leadership Team / Dec 2020**	**1st Line:** • Day to day business continuity plans in place. • Training programme. **2nd Line:** • Annual Report to Leadership Team. • CCU test of arrangements feedback. **3rd Line:** • Internal Audit of business continuity 2019/20 – reasonable assurance.
A good council, developing prosperity, shaping place, enabling people	**SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.** **Owner:** Leadership Team	6 (L2xI3)	• Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet. • Robust project management. • People strategy. • Communications to all staff.	6 (L2xI3) ↔	2 (L1xI2)	• Finalisation of people strategy and Workforce development plan to take account of Covid-19 **Head of Governance & Performance December 2020** • Finalise PDR processes following Pentana pilot **Head of Governance &**	**1st Line:** • Day to day business / service planning, financial planning and performance management. **2nd Line:** • Delivery Plan reported 6 monthly to Cabinet and shared with Overview & Scrutiny. • Quarterly updates to LT on people strategy. **3rd Line:**

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			• PDRs linked to Strategic and Delivery Plans. • Recruitment activity. • PDR completion leading to identifying training and development needs. • Monitoring resource demands.			**Performance – April 2021**	• Internal Audits of People Strategy and Workforce Development 2019/20 – reasonable assurance, Performance Management 19/20 – substantial assurance.
A good council	**SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law** (e.g. Health & Safety, GDPR, procurement, Safeguarding), lack of openness / transparency in decision making, breach of the constitution. This could lead to fines as well as reputational damage. **Owner:** Head of Corporate Services	9 (L3xI3)	• Regularly reviewed constitution, policies and procedures. • Meta compliance policy training, testing and acceptance systems. • Training and awareness for all staff and members. • Effective Overview and Scrutiny and Audit & Member Standards Committee oversight. • Codes of Conduct. • Internal audit. • Roles of Section 151 Officer and Monitoring Officer. • Shared legal services. • New procurement team.	6 (L2xI3) ⟷	6 (L2xI3)	• Regular Health & Safety Reporting and action planning to Leadership Team – **Head of Corporate Services - September 2020** • Finalisation of GDPR Action Plan – **Head of Governance & Performance & Head of Corporate Services - December 2020**	**1st Line:** • Day to day processes and Local Code of Governance • Forward plans/committee work plans/ delivery plan and service planning. • Use of Mod Gov and publication scheme. **2nd Line:** • Annual reports to Audit and Member Standards Committee. • Regular reports to leadership team. • Transparency data publication. **3rd Line:** • RIPA, ICO and Ombudsman reports/returns. • External audit of Annual Governance Statement as part of the financial statements.

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
		9 (L3xI3)					• Internal Audits of Ethics 2019/20 – adequate assurance, Health and Safety 2019/20 – adequate assurance, GDPR follow up 2019/20 – limited assurance, Transparency code follow up 2019/20 reasonable assurance, Safeguarding Inc. modern slavery 2019/20 – reasonable assurance, Committee Reporting 2019/20 – substantial assurance, Legal Compliance (shared service agreement) 2019/20 – reasonable assurance, Equalities 2019/20 – substantial assurance.
A good council, developing prosperity, shaping place,	**SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area**, for example, the UK withdrawal from the European Union / Covid-19 crisis, results in an increase in	9 (L3xI3)	• Financial assistance from Government to businesses and the public. • Prosperity is a key theme in the new Strategic Plan. • Economic Development Strategy is in place. • Council's effective presence on the Local Enterprise Partnerships.	4 (L2xI2) ↔	4 (L2xI2)	• Formulation of strategy and action plan for economic growth and resilience in response to Covid-19 – **Head of Economic Growth and Development August 2020** • Delivery of immediate actions to support high	**1st Line:** • Day to day delivery of economic development, housing and health and wellbeing strategies. **2nd Line:** • Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee. • Health and Wellbeing Strategy delivery reports.

Strategic Risk Register – June 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
	unemployment, business closures coupled with emergence of higher expectation of ongoing support from the Council. Increased demand on Council services such as benefits via increased Universal Credit claims, at the same time that Council suffering reduced income. **Owner:** Leadership Team		• Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers. Lichfield City BID, Burntwood Business Community LGA, DCN, • New burdens funding. • Partnership influences built into business case considerations. • Work with redundancy task force • Continue to develop and improve the business contact and relationships locally.			street economy and business (including visitor economy and hospitality sector) post relaxation of Covid-19 lockdown measures – **Head of Economic Growth and Development July 2020**	**3rd Line:** • Internal Audit of Economic Development Partnership Arrangements 2017/18 – adequate assurance, Tourism 2019/20 – reasonable assurance, Housing Benefits – overpayments 2017/18 – adequate assurance, Housing Benefits – verification and performance 2016/17 – substantial assurance.
A good council, enabling people	**SR6: Failure to innovate and build on the positives / opportunities / learning arising from the Covid-19 situation to maximise outcomes for the Council**, e.g. technological solutions **Owner:** Leadership Team	9 (L3xI3)	• ICT service plan. • ICT hardware replacement programme. • Migration to HIS and implementing of O365. • Refurbishment and reorganisation of office spaces. • Cyber security e-learning. • Engagement Strategy. • Capture best practice	4 (L2xI2) ↑	1 L1xI1	• Test and further deployment of hybrid meeting rooms (MS Teams Rooms), **Information & Communications Technology Manager / Jan 2021** • Acceleration of agile working processes, terms and conditions. **Head of Governance &**	**1st Line:** • ICT hardware replacement programme providing the right equipment for mobile and flexible working. • Ongoing monitoring of customer (internal and external) feedback. **2nd Line:** • Monitoring of Lichfield Connects contact levels, trends and reporting on complaints

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			• Reinforce a culture of innovation. • People strategy. • Virtual committee meetings. • Business cases required for all major projects. • Drive to find ongoing efficiencies as part of service / financial planning process. • Customer promise.			**Performance / October 2020** • Links to actions arising from recovery strategy e.g. Encourage digital contact, harness and encourage the spirit and commitment shown by the Council and the Community in response to recovery **Leadership Team / Dec 2020**	and compliments to Leadership Team. **3rd Line:** • Local Government Ombudsman.
A good council	**SR7: Threat to the Council's ICT systems of a cyber-attack** following dramatic increase in remote working which if successful could result in loss of data / loss of access to applications – which may incur fines / reputational damage. **Owner:** Assistant Chief Executive	3 (L1xI3)	• Use of firewalls and virus protection to manage cyber security, including penetration testing. • Strong access level controls (including remote access). • Training and regular awareness raising to staff of risks. • Digital strategy.	2 (L1xI2) **NEW RISK**	2 (L1xI2)	• Planned revision of business continuity and disaster recovery plans for the end of the calendar year **Information & Communications Technology Manager / Dec 2020** • Migration to HIS and MS Office 365 by the end of the calendar	**1st Line:** • Day to day operation of ICT Training programme for all staff. • Up to date versions of software and implement all IT security patches. **2nd Line:** • Regular monitoring and reporting on security issues to Leadership Team. • External penetration testing.

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			• PSN compliance checklist. • Revision of Service Business Continuity Plans to incorporate lessons learnt from COVID-19.			year which will bring additional resilience and security features **Information & Communications Technology Manager / Sep 2020**	**3rd Line:** • Internal Audit of business continuity 2019/20 – significant assurance (DR plan noted as an action), Cyber Security 2019/20 – reasonable assurance, IT Governance 2019/20 – adequate assurance, IT Application Controls – follow up 2019/20 – reasonable assurance).

Key to 3 lines of assurance:	
1st Line	Day to day operations of internal control systems
2nd Line	Management oversight and monitoring controls
3rd Line	Independent assurance from Internal / external audit and other independent assurance sources (e.g. HSE, BFI)

Other Horizon Scanning Risks:
Inability of key contractors and supply chain to provide services as per agreed contracts / specification is compromised - potential for delays, failure to deliver and increased costs. **This risk is currently being managed at Operational level.**
Payments of Covid-19 related business grants and discretionary grants are fraudulent and the cost cannot be reclaimed from central government, so the Council bears the cost reducing the funds available to deliver already stretched council services. **This risk is currently being managed at Operational level.**