# RISK MANAGEMENT UPDATE

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

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| Date: | 12 November 2020 |
| Agenda Item: | 7 |
| Contact Officer: | Rebecca Neill |
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| **Key Decision?** | **NO** |
| **Local Ward Members** | |

**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.

3.4    The Strategic Risk Register as at November 2020 (agreed with Leadership Team) is detailed at **Appendix 1**. The key changes since the Committee's last risk update are:

- The current score on SR2 'resilience of teams to effectively respond to a further serious disruption to services' has moved from 9 (3x3) to 16 (4x4) to reflect the increase in severity in both likelihood and impact of the effect of the second wave of the pandemic on the Council's operations, coupled with risks posed by a no-deal Brexit. This was the second highest ranked strategic risk, but is now the highest rated risk. All other strategic risk current scores remained unchanged at this review.

- The target score of SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape has been revised up from 2 (1x2) to 4 (2x2), to account for the increased pressures included at SR2 and the effect on the ability of the Council to deliver the strategic plan.
- The risk descriptor at SR1 and SR6 have been amended to be more strategic, less Covid-19 specific, following the suggestion at the last Audit & Member Standards Committee in July 2020:

| From: | To: |
|---|---|
| SR1: Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance | SR1: Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan |
| 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 | SR6: Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions |

- New additional mitigating controls, actions and lines of assurance have been updated on the Register where applicable.
- 'Other Horizon Scanning Risks Arising November 2020' have also been updated at the end of the Register. These are risks which are not strategic risks currently, but that need a 'watching brief' e.g. the devolution / local recovery white paper.

All changes have been highlighted on the Register at Appendix 1.

3.5    The Council's 7 strategic risks are as below, together with their position on the matrix:
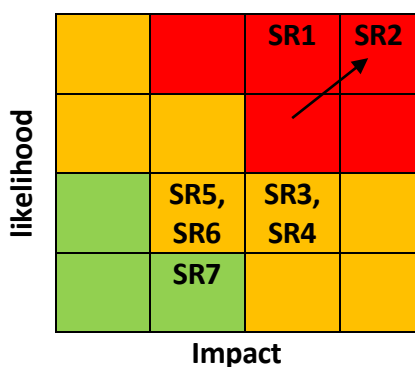


**SR2:** Resilience of teams to effectively respond to a further serious disruption to services.
**SR1:** Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.
**SR3**: Capacity and capability to deliver / adapt the new strategic 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 positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions.
**SR7**: Threat to the Council's ICT systems of a cyber-attack.

3.6     SR1 and SR2 remain outside of appetite (within the red zone) and are therefore being actively managed with the aim to bring them back within tolerance. However, there are many external factors associated with both of these risks, which are beyond the Council's control.

3.7     Work to review of the effectiveness of our sub strategic (service / operational) and project risk arrangements re-commenced. In August 2020, Leadership Team agreed the following:
- The 3 lines of assurance approach (as used in the Strategic Risk Register) be used for sub-strategic risks (i.e. service level risks).
- Heads of Service be responsible for compiling their quarterly service risk register.
- There would be no requirement to record and manage risks below service level (services or teams would, however, be at liberty to do so if it met their business requirement).
- Project risks to continue to be managed in accordance with accepted project methodology (i.e. PRINCE2).

The aim is for service risk registers to be in place by December 2020 although the ongoing response to COVID-19 is impacting teams to varying levels and therefore competing capacity demands and priorities in certain teams may mean this target cannot be achieved. However steady progress has been made, with the completion of the Finance & Procurement and Operational Services Service Risk Registers. A further update on this will be given at the next Committee.

| Alternative Options | None. |
|---|---|
| Consultation | Leadership Team have been consulted on this Strategic Risk Update. |
| Financial Implications | 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 | Sound risk management ensures that risks affecting the delivery of the strategic plan are identified and managed. |
| Equality, Diversity and Human Rights Implications | None. |
| Crime & Safety Issues | None. |
| Environmental Impact | Risks arising from climate change and the green agenda are currently a 'watching brief' item for the strategic risk register. |
| GDPR / Privacy Impact Assessment | Risks associated with non-compliance with GDPR are included within SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law (e.g. Health & Safety, GDPR, procurement, Safeguarding. |

| | Risk Description | How We Manage It | Severity of Risk (RYG) |
|---|---|---|---|
| A | Failure to manage known risks and | Strategic risks are closely monitored by | Likelihood – Green |

| opportunities proactively | the Audit & Member Standards Committee, Cabinet Member and Leadership Team.<br><br>Reports to Audit & Member Standards Committee provide assurance that active steps are being taken to control risks. | Impact - Yellow<br>Severity of risk - Green (tolerable) |

**Background documents:** Audit & Member Standards Committee's July 2020 update.

**Relevant web links**

# Appendix 1: Strategic Risk Register – November 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).<br><br>**Owner:** Leadership Team | 8<br>(L2xI4) | • Mutual aid assistance<br>• Local Resilience Forum.<br>• Tested business continuity arrangements in place.<br>• Strong links with the Staffordshire CCU and wider Local Resilience Forum.<br>• Actively engaged in ongoing Local Resilience Forum response and recovery work streams.<br>• Experienced (from the 1st wave of Covid-19) Leadership Team and supporting teams in place to respond.<br>• Clear structure and plan in place for Covid-19 2nd wave.<br>• Ongoing dialogue with CCU re D20 'BREXIT' risks. | 16<br>(L4xI4)<br><br>↑<br><br>*Was 9 (L3xI3)* | 6<br>(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**<br>• Monitor implementation of plan for 2nd wave and D20 Brexit risks **Leadership Team / Dec 2020** | **1st Line:**<br>• Day to day business continuity plans in place.<br>• Training programme.<br><br>**2nd Line:**<br>• Annual Report to Leadership Team.<br>• CCU test of arrangements feedback.<br><br>**3rd Line:**<br>Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance. |
| A good council, developing prosperity, shaping | **SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.** | 16<br>(L4xI4) | • Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by | 12<br>(L4xI3)<br><br>↔ | 4<br>(L2xI2) | • Update of the Medium Term Financial Strategy **Responsibility: Head of Finance and Procurement /** | **1st Line:**<br>• Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years. |

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|---|---|---|---|---|---|---|---|
| place, enabling people | The risk is influenced by:<br>• The spending review.<br>• Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review.<br>• The financial impact of the Covid-19 pandemic in the current year and beyond.<br><br>**Owner:** Head of Finance & Procurement (Section 151 Officer). | <span style="color:red">RED</span> | Local Government Finance experts.<br>• Risk assessed minimum level of reserves set at £1.6m.<br>• Routine budget monitoring reported to Leadership Team, Cabinet and Strategic (OS) Committee.<br>• Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures.<br>• In terms of the Covid-19 pandemic – introduction of enhanced monthly income monitoring and receipt of financial assistance from Government. | <span style="color:red">RED</span> | <span style="background:yellow">YELLOW</span> | **commenced July 2020 and approval in February 2021** | • A longer term financial plan covering a 25 year horizon for revenue budgets.<br>• Approved Treasury Management Strategy.<br>• Production of monthly budget reports to Managers.<br><br>**2nd Line:**<br>• Leadership team review of 3, 6, 8 and 12 month reports to Cabinet, Strategic (OS) Committee.<br>• Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee.<br><br>**3rd Line:**<br>• External Audit – going concern test and sign off of financial statements 2019/20. Unqualified VFM assessment.<br>• Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income |

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| | | | | | | | Management 20/21 – 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.**<br><br>**Owner:** Leadership Team | 6 (L2xI3) | • Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet.<br>• Robust project management.<br>• People strategy.<br>• Communications to all staff.<br>• PDRs linked to Strategic and Delivery Plans.<br>• Recruitment activity.<br>• PDR completion leading to identifying training and development needs.<br>• Monitoring resource demands.<br>• Mental health / wellbeing systems in place. | 6 (L2xI3) ↔ | 4 (L2xI2) ↑ *Was 2 (L1xI2)* | • Finalisation of people strategy and Workforce development plan to take account of Covid-19 **Head of Governance & Performance December 2020**<br>• Finalise PDR processes following Pentana pilot **Head of Governance & Performance – April 2021** | **1st Line:**<br>• Day to day business / service planning, financial planning and performance management.<br>**2nd Line:**<br>• Delivery Plan reported 6 monthly to Cabinet and shared with Overview & Scrutiny.<br>• Quarterly updates to LT on people strategy.<br>**3rd Line:**<br>• 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.** | 9 (L3xI3) | • Regularly reviewed constitution, policies and procedures. | 6 (L2xI3) ↔ | 6 (L2xI3) | • Regular Health & Safety Reporting and action planning to | **1st Line:**<br>• Day to day processes and Local Code of Governance |

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|---|---|---|---|---|---|---|---|
| | **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 Governance & Performance | | <ul><li>Meta compliance policy training, testing and acceptance systems.</li><li>Training and awareness for all staff and members.</li><li>Effective Overview and Scrutiny and Audit & Member Standards Committee oversight.</li><li>Codes of Conduct.</li><li>Internal audit.</li><li>Roles of Section 151 Officer and Monitoring Officer.</li><li>Shared legal services.</li><li>New procurement team.</li></ul> | | | <ul><li>~~Leadership Team –~~ **Head of Governance & Performance - September 2020 IMPLEMENTED**</li><li>Finalisation of GDPR Action Plan – **Head of Governance & Performance & Interim Head of Corporate Services / December 2020**</li><li>Annual Health & Safety Report to be produced for Employment Committee **Head of Governance & Performance /March 2021.**</li></ul> | <ul><li>Forward plans/committee work plans/ delivery plan and service planning.</li><li>Use of Mod Gov and publication scheme.</li></ul>**2nd Line:**<ul><li>Annual reports to Audit and Member Standards Committee.</li><li>Regular reports to leadership team.</li><li>Transparency data publication.</li></ul>**3rd Line:**<ul><li>RIPA, ICO and Ombudsman reports/returns.</li><li>External audit of Annual Governance Statement as part of the financial statements.</li><li>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</li></ul> |

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|---|---|---|---|---|---|---|---|
| | | | | | | | Compliance (shared service agreement) 2019/20 – reasonable assurance, Equalities 2019/20 – substantial assurance, Management of Property (LA Trading Company) 20/21 – 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 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. | 9 (L3xI3) | <ul><li>Financial assistance from Government to businesses and the public (Grants, Test & Trace Support Payments) particularly in terms of furlough scheme end Oct 20, potential further implications for individuals and businesses arising from potential local lockdowns and Brexit.</li><li>Prosperity is a key theme in the new Strategic Plan.</li><li>Economic Development Strategy is in place.</li><li>Council's effective presence on the Local Enterprise Partnerships.</li><li>Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers.</li></ul> | 4 (L2xI2) ↔ | 4 (L2xI2) | <ul><li>~~Formulation of strategy and action plan for economic growth and resilience in response to Covid-19 – **Head of Economic Growth and Development August 2020** IMPLEMENTED~~</li><li>Delivery of immediate actions to support high 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~~ **PARTIALLY IMPLEMENTED – 50% ERDF FUNDING**</li></ul> | **1st Line:**<ul><li>Day to day delivery of economic development, housing and health and wellbeing strategies.</li></ul> **2nd Line:**<ul><li>Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee.</li><li>Health and Wellbeing Strategy delivery reports.</li></ul> **3rd Line:**<ul><li>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</li></ul> |

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|---|---|---|---|---|---|---|---|
| | **Owner:** Leadership Team | | Lichfield City BID, Burntwood Business Community LGA, DCN, <br>• New burdens funding. <br>• Partnership influences built into business case considerations. <br>• Work with redundancy task force <br>• Continue to develop and improve the business contact and relationships locally. | | | **ALLOCATED REVISED DATE Dec 2020** | performance 2016/17 – substantial assurance. |
| A good council, enabling people | **SR6: Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions** <br><br>**Owner:** Leadership Team | 9 (L3xI3) | • ICT service plan. <br>• ICT hardware replacement programme. <br>• Migration to HIS and implementing of O365. <br>• Refurbishment and reorganisation of office spaces. <br>• Cyber security e-learning. <br>• Engagement Strategy. <br>• Capture best practice <br>• Reinforce a culture of innovation. <br>• People strategy. <br>• Virtual committee meetings. | 4 (L2xI2) ↔ | 1 L1xI1 | • Test and further deployment of hybrid meeting rooms (MS Teams Rooms), **Information & Communications Technology Manager / Jan 2021** <br>• Acceleration of agile working processes, terms and conditions. **Head of Governance & Performance / ~~October 2020~~ now as part of recovery planning** | **1st Line:** <br>• ICT hardware replacement programme providing the right equipment for mobile and flexible working. <br>• Ongoing monitoring of customer (internal and external) feedback. <br>**2nd Line:** <br>• Monitoring of Lichfield Connects contact levels, trends and reporting on complaints and compliments to Leadership Team. <br>**3rd Line:** |

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|---|---|---|---|---|---|---|---|
| | | | • Business cases required for all major projects.<br>• Drive to find ongoing efficiencies as part of service / financial planning process.<br>• Customer promise. | | | **processes – March 2021**<br>• 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**<br>• Digital innovation strategy **Interim Head of Corporate Services / January 2021** | • 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. | 3 (L1xI3) | • Use of firewalls and virus protection to manage cyber security, including penetration testing.<br>• Strong access level controls (including remote access).<br>• Training and regular awareness raising to staff of risks. | 2 (L1xI2) ⬌ | 2 (L1xI2) | • Planned revision of business continuity and disaster recovery plans for the end of the calendar year **Information & Communications Technology Manager / Dec 2020**<br>• Migration to HIS and MS Office 365 by the | **1st Line:**<br>• Day to day operation of ICT Training programme for all staff.<br>• Up to date versions of software and implement all IT security patches.<br>**2nd Line:**<br>• Regular monitoring and reporting on security issues to Leadership Team. |

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|---|---|---|---|---|---|---|---|
| | **Owner:** Interim Head of Corporate Services | | • Digital strategy.<br>• PSN compliance checklist.<br>• Revision of Service Business Continuity Plans to incorporate lessons learnt from COVID-19. | | | end of the calendar year which will bring additional resilience and security features **Information & Communications Technology Manager / Sep 2020 HIS Dec 2020** | • External penetration testing.<br>**3ʳᵈ Line:**<br>• 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, ICT – remote working 20/21 – 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 Arising October 2020: |
|---|
| Impact on the organisation arising from the devolution / local recovery white paper which was due in September 2020 and has now been postponed to 2021. Not a strategic risk at present, to include as a horizon scan until more information is known and impact on operations can properly be assessed. |
| Impact on planning activities arising from the 'Planning for the Future' white paper published 6 August 2020. Risks currently being assessed. |
| Further impact on SR1 arising from the Comprehensive Spending Review to be published in the Autumn 2020. |
| Risks arising from climate change and green agenda. |