

RISK MANAGEMENT UPDATE

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

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Agenda Item: 7

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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 February 2021 (agreed with Leadership Team) is detailed at **Appendix 1**. The key changes since the Committee's last risk update (November 2020) are:
- SR2 has been updated following the request at November's Committee for flooding within the Lichfield district and the link this has to climate change / green agenda be considered within this risk.
 - The narrative in SR2 has also been updated to account for the prevalence of Covid variants (risk involved in the increase in transmission) and 3rd national lockdown.

- Updates to mitigating controls, actions and lines of assurance have been updated on the Register where applicable.
- ‘Other Horizon Scanning Risks Arising at February 2021’ 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’.

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. All scores remain the same from the last review:

		SR1	SR2
likelihood			
		SR5, SR6	SR3, SR4
		SR7	
	Impact		

- 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 has now been completed. In summary:

- The 3 lines of assurance approach (as used in the Strategic Risk Register) has now been adopted for sub-strategic risks (i.e. service level risks).
- Heads of Service have compiled their first draft quarterly service risk registers (to December 2020) using the new approach. The next update will be March 2021.
- There is no longer a requirement to record and manage risks below service level (services or teams are, however, at liberty to do so if it meets their business requirement).
- Project risks continue to be managed in accordance with accepted project methodology (i.e. PRINCE2).

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 opportunities proactively	Strategic risks are closely monitored by the Audit & Member Standards Committee, Cabinet Member and Leadership Team. Reports to Audit & Member Standards Committee provide assurance that active steps are being taken to control risks.	Likelihood – Green Impact - Yellow Severity of risk - Green (tolerable)

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

Relevant web links

Appendix 1: Strategic Risk Register – February 2021

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	<p>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 / subsequent waves of Covid-19 (including the increased risk of transmission of new variants), other pressures - such as seasonal flu).</p> <p>Owner: Leadership Team</p>	8 (L2x14)	<ul style="list-style-type: none"> Mutual aid assistance Local Resilience Forum (LRF). Tested business continuity arrangements in place. Strong links with the Staffordshire CCU and wider LRF. Actively engaged in ongoing Local Resilience Forum response and recovery work streams. Experienced (from previous waves / national lockdowns re Covid-19) Leadership Team and supporting teams in place to respond. Clear structure and plan in place for Covid-19 waves. Ongoing dialogue with CCU re D20 'BREXIT' risks. Strategic and tactical flood planning work across LRF, to assist in our response and the multi-agency response to such events. This includes identifying 	16 (L4x14) ↔	6 (L2x13)	<ul style="list-style-type: none"> 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 response Leadership Team / Dec March 2021 Monitor and build on learning from subsequent pandemic waves and D20 Brexit risks (no significant impacts have arisen since the end of the transition period, however this is being monitored) and ongoing involvement in LRF structures such as SCG and TCG is continuing. 	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day business continuity plans in place. Training programme. <p>2nd Line:</p> <ul style="list-style-type: none"> Annual Report to Leadership Team. CCU test of arrangements feedback. Response and learning from recent incident at Ridware House. Report on recovery plan and climate change to Overview & Scrutiny (O&S). <p>3rd Line:</p> <ul style="list-style-type: none"> Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance. Flash Covid-19 Risk Assurance Business Continuity, Emergency Planning and Recovery 20/21 substantial assurance

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Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			<p>'at risk' areas in the District and specific actions required.</p> <ul style="list-style-type: none"> Briefing paper to O&S Committee on Climate change agenda 			<p>Leadership Team / Dec 2020-March 2021</p>	
A good council, developing prosperity, shaping place, enabling people	<p>SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.</p> <p>The risk is influenced by:</p> <ul style="list-style-type: none"> 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. Other Government Policy announcements impacting on Local Government such as the Call for Evidence on Business Rates and 	16 (L4x14)	<ul style="list-style-type: none"> 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 	12 (L4x13) ↔	4 (L2x12)	<ul style="list-style-type: none"> Update of the Medium Term Financial Strategy Responsibility: Head of Finance and Procurement / commenced July 2020 and approval in February 2021 	<p>1st Line:</p> <ul style="list-style-type: none"> Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years plus a 25 year capital investment model. A longer term financial plan covering a 25 year horizon for revenue budgets. Approved Treasury Management Strategy. Production of monthly budget reports to Managers. Procurement Strategy <p>2nd Line:</p> <ul style="list-style-type: none"> 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.

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	<p>Procurement Policy Notes.</p> <p>Owner: Head of Finance & Procurement (Section 151 Officer).</p>		of enhanced monthly income monitoring and receipt of financial assistance from Government.				<ul style="list-style-type: none"> Initial assessment of LDC's level of compliance with the FM Code to Audit and Member Standards Committee 12/11/2020. <p>3rd Line:</p> <ul style="list-style-type: none"> External Audit – going concern test and sign off of financial statements 2019/20. Unqualified VFM assessment. Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 20/21 limited assurance
A good council, developing prosperity, shaping place, enabling people	<p>SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.</p> <p>Owner: Leadership Team</p>	6 (L2xI3)	<ul style="list-style-type: none"> Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet. 	6 (L2xI3) ↔	4 (L2xI2)	<ul style="list-style-type: none"> Finalisation of people strategy and Workforce development plan to take account of Covid-19 (initial drafts to be updated for agile working and also for 	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day business / service planning, financial planning and performance management. <p>2nd Line:</p> <ul style="list-style-type: none"> Delivery Plan reported 6 monthly to Cabinet and shared with Overview & Scrutiny.

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Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			<ul style="list-style-type: none"> Robust project management. People strategy. Communications to all staff. PDRs linked to Strategic and Delivery Plans. Recruitment activity. PDR completion leading to identifying training and development needs. Monitoring resource demands. Mental health / wellbeing systems in place. 			<p><i>new Chief Executive's steer, when appointed)</i></p> <p>Head of Governance & Performance December June 2021</p> <ul style="list-style-type: none"> Finalise PDR processes following Pentana pilot Head of Governance & Performance – April 2021 IMPLEMENTED 	<ul style="list-style-type: none"> Quarterly updates to LT on people strategy. <p>3rd Line:</p> <ul style="list-style-type: none"> 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.	9 (L3xI3)	<ul style="list-style-type: none"> 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. 	6 (L2xI3) ↔	6 (L2xI3)	<ul style="list-style-type: none"> Finalisation of GDPR Action Plan – Head of Governance & Performance & Interim Head of Corporate Services / December 2020 IMPLEMENTED Annual Health & Safety Report to be produced for Employment Committee Head of Governance & Performance / March 2021. 	<p>1st Line:</p> <ul style="list-style-type: none"> 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. <p>2nd Line:</p> <ul style="list-style-type: none"> Annual reports to Audit and Member Standards Committee. Regular reports to leadership team. Transparency data publication.

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	<p>Owner: Head of Governance & Performance</p>		<ul style="list-style-type: none"> Roles of Section 151 Officer and Monitoring Officer. Shared legal services. New procurement team. 				<p>3rd Line:</p> <ul style="list-style-type: none"> RIPA, ICO and Ombudsman reports/returns. External audit of Annual Governance Statement as part of the financial statements. 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, Management of Property (LA Trading Company) 20/21 – substantial assurance, Procurement 20/21 limited assurance

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A good council, developing prosperity, shaping place,	<p>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.</p> <p>Owner: Leadership Team</p>	9 (L3xI3)	<ul style="list-style-type: none"> 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. 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. 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. 	4 (L2xI2) ↔	4 (L2xI2)	<ul style="list-style-type: none"> Continued delivery of immediate actions to support high street economy and business (including visitor economy and hospitality sector) post relaxation of Covid-19 lockdown measures <p>Head of Economic Growth and Development PARTIALLY IMPLEMENTED – 50% ERDF FUNDING ALLOCATED REVISED DATE Dec 2020 March 2021</p>	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day delivery of economic development, housing and health and wellbeing strategies. <p>2nd Line:</p> <ul style="list-style-type: none"> Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee. Health and Wellbeing Strategy delivery reports. <p>3rd Line:</p> <ul style="list-style-type: none"> 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, Housing Benefits and Council Tax Relief 20/21 substantial assurance

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Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			<ul style="list-style-type: none"> Work with redundancy task force Continue to develop and improve the business contact and relationships locally. 				
A good council, enabling people	<p>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</p> <p>Owner: Leadership Team</p>	9 (L3xI3)	<ul style="list-style-type: none"> 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 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. 	4 (L2xI2) ↔	1 L1xI1	<ul style="list-style-type: none"> Test and further deployment of hybrid meeting rooms (MS Teams Rooms), Information & Communications Technology Manager / Jan 2021 IMPLEMENTED - Roll out of MS teams and all functions in train for completion later this year, Information & Communications Technology Manager / October 2021 Acceleration of agile working processes, terms and conditions. Head of Governance & Performance / As part of recovery planning 	<p>1st Line:</p> <ul style="list-style-type: none"> ICT hardware replacement programme providing the right equipment for mobile and flexible working. Ongoing monitoring of customer (internal and external) feedback. <p>2nd Line:</p> <ul style="list-style-type: none"> Monitoring of Lichfield Connects contact levels, trends and reporting on complaints and compliments to Leadership Team. <p>3rd Line:</p> <ul style="list-style-type: none"> Local Government Ombudsman. Flash Covid-19 Risk Assurance Staff Wellbeing 20/21 substantial assurance

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						<p>processes – March June 2021</p> <ul style="list-style-type: none"> 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 Sept 2021 Digital innovation strategy Interim Head of Corporate Services / January 2021 IMPLEMENTED 	
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	3 (L1xI3)	<ul style="list-style-type: none"> Use of firewalls and virus protection to manage cyber security, including penetration testing. Strong access level controls (including remote access). 	2 (L1xI2) ↔	2 (L1xI2)	<ul style="list-style-type: none"> Planned revision of business continuity and disaster recovery plans for the end of the calendar year Information & Communications Technology Manager / 	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day operation of ICT Training programme for all staff. Up to date versions of software and implement all IT security patches. <p>2nd Line:</p>

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	<p>incur fines / reputational damage.</p> <p>Owner: Interim Head of Corporate Services</p>		<ul style="list-style-type: none"> • Training and regular awareness raising to staff of risks. • Digital strategy. • PSN compliance checklist. • Revision of Service Business Continuity Plans to incorporate lessons learnt from COVID-19. 			<p>Dec 2020 IMPLEMENTED</p> <ul style="list-style-type: none"> • Migration to HIS and MS Office 365 by the end of the calendar year which will bring additional resilience and security features Information & Communications Technology Manager / Dec 2020 MARCH 2021 	<ul style="list-style-type: none"> • Regular monitoring and reporting on security issues to Leadership Team. • External penetration testing. <p>3rd Line:</p> <ul style="list-style-type: none"> • 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. Flash Covid-19 Risk Assurance Business Continuity, Emergency Planning and Recovery 20/21 substantial 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)

Appendix 1: Strategic Risk Register – February 2021

Other Horizon Scanning Risks Arising February 2021:
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.
Significant changes in the approach to Procurement as a result of leaving the European Union.
Risks arising from staff leaving in key posts (i.e. Chief Executive, Head of Customer Services, Revenues & Benefits, Head of HR, Shared Head of Audit).
Transition to new payroll provider.
Delivery of elections during pandemic conditions.
Sunset clause on Regulations allowing remote council meetings ends early May 2021.