



REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	13 TH JULY 2023
SUBJECT:	RISK MANAGEMENT REPORT
PURPOSE:	TO PROVIDE AN UPDATE ON RISK MANAGEMENT
KEY DECISION:	NO
PORTFOLIO HOLDER:	COUNCILLOR DORRIAN, LEADER OF THE COUNCIL
REPORT OF:	JOHN MEDLER, ASSISTANT DIRECTOR – GOVERNANCE
REPORT AUTHOR:	SUZANNE ROLFE, GROUP MANAGER - INSIGHTS & TRANSFORMATION
WARD(S) AFFECTED:	ALL
EXEMPT REPORT?	NO

SUMMARY

This report provides an overview of risk management in the authority.

RECOMMENDATIONS

That the Committee considers and notes the report.

REASONS FOR RECOMMENDATIONS

The Audit and Governance Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements.

OTHER OPTIONS CONSIDERED

N/A

1. RISK MANAGEMENT

- 1.1 The Audit & Governance Committee is responsible for monitoring the effective development and operation of risk management in the Council according to its terms of reference.
- 1.2 A shared approach to risk management has been agreed across the Partnership with common formatting but not content. A draft Risk Management Framework for the Partnership is currently in development and will come to Committee for discussion and review following input from internal audit.
- 1.3 Individual strategic and operational risk registers are in place for each of the Councils to reflect individual circumstances, locality and reporting. Strategic risks are high level, relating to corporate priorities. Operational risks are service specific.
- 1.4 In addition, a strategic risk register for the Partnership is under development for those risks which are common to all three Councils and where there is a synergy across all.
- 1.5 A quarterly corporate governance clinic is held with Assistant Directors to review performance and risk.

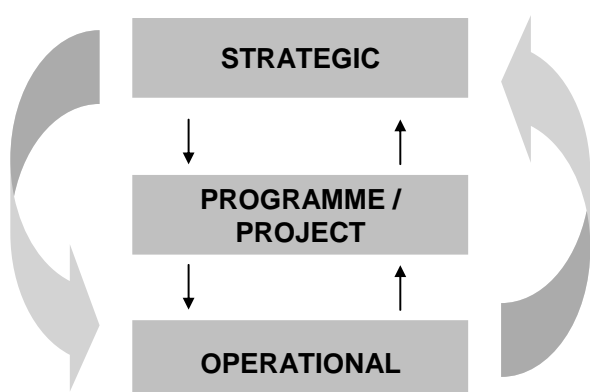
2. RISK MANAGEMENT STRUCTURES AND PROCESSES

Definition

- 2.1 A risk is defined as “An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by a combination of a perceived threat or opportunity and the magnitude of its impact on objectives”.
- 2.2 Risk management is the process for effectively identifying, evaluating, prioritising and mitigating the risks. It is not an end in itself. Effectively managing our risks means that we can maximise opportunities and minimise the costs and disruption to the Council caused by undesired events.

Governance

- 2.3 The Council manages risk at three governance levels – strategic, programme/project management, and operational, each having their own risk management responsibilities.

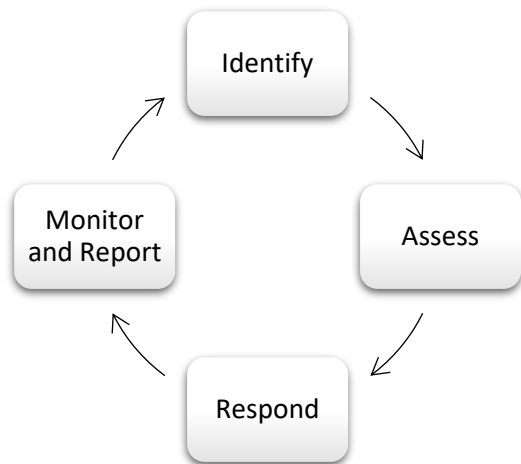


Strategic: Future direction of the Council and integrity of the Council.

Programme/Project: Turning strategy into action – programme, project and change management.

Operational: Day to day business activities and services, people, processes, information security, health and safety, business continuity, etc. (Including those carried out under contract)

Risk Cycle



Identify

2.4 Risks are identified in many ways including at the start of a new project or process, when changes occur, in light of good practice / learning from elsewhere, and from Council reports which each have a risk section within them.

Assess

2.5 To ensure attention is focused on the most significant risks, they are assessed in terms of likelihood and impact – how likely is the risk to occur and what would the potential impact be. The score is used to prioritise focus and attention, it is not an end in itself.

Risk Scoring Matrix						
Impact	Critical	5	10	15	20	25
	High	4	8	12	16	20
	Medium	3	6	9	12	15
	Low	2	4	6	6	10
	Minimal	1	2	3	4	5
		Rare	Unlikely	Possible	Likely	Almost certain
Likelihood						

Final Risk scoring	Colour
Critical Risk	
High Risk	
Medium Risk	
Low Risk	
Minimal Risk	

Impact score	1	2	3	4	5
Title	Minimal	Low	Medium	High	Critical
Political risk	Residents unaware of authority's actions	Residents' access to oppose actions limited	Residents' access to oppose actions process blocked	Authority fails to effectively scrutinise its actions	No scrutiny of actions takes place
Reputation risk	Increased complaints for less than one week	Increased complaints for more than one week	Negative local press coverage for one day, increased complaints for more than one week	Negative national press coverage for one day, ongoing negative local coverage	Negative national press coverage over several days. Public criticism from MP, LGA, County Council or national service body
Financial risk	Up to 1% of project budget	Up to 5% of project budget	Up to 10% of project budget	Up to 15% of project budget	Over 15% of project budget
Legal risk	Delays due to legal clarifications being sought (<1 month)	Delays due to legal clarifications being sought (1-6 months)	Delays due to legal clarifications being sought (>6 months)	Project operations potentially subject to legal challenge, project on hold until resolved	Project operations potentially in breach of legislation, project terminated
Disruption risk	Individual members of staff having work disrupted	Multiple members of staff unable to work	Total service outage for one day or less	Total service outage for several days	Total service outage for more than a week
Environmental risk	Immediately remedied damage in an isolated area	Easily remedied damage in an isolated area	Short term damage in an isolated area requiring partners assistance	Damage requiring special budget provision to rectify	Major or widespread damage requiring central government assistance
Contractual risk	Negative impact on key partner relationship	Minor contract renegotiation required	Major contract renegotiation required	Project aims or goal significantly altered or sanction clauses invoked	Project failure and/or termination of contract
Asset & Infrastructure risk	Individual pieces of equipment damaged or needing replacement	Isolated network issues, multiple pieces of equipment needing replacement	Widespread network issues, vehicle damaged	Council properties inaccessible, vehicle need replacing	Council properties damaged, multiple vehicles need replacing, key infrastructure outage
Health and Safety risk	People engaging in hazardous activities without awareness	Individual receives minor injuries	Multiple people receive minor injuries	Individual serious injury	Multiple people seriously injured, individual loss of life

Likelihood score	1	2	3	4	5
Definition	Rare	Unlikely	Possible	Likely	Almost certain
Description	The likelihood of the risk has been minimised to a negligible possibility	The risk is technically possible but an occurrence is not foreseeable in the medium-long term	The risk is a real possibility but the likelihood of an occurrence in the short-medium term is small	The risk is probably going to occur at some point in the medium term, possibly sooner	The risk is probably going to occur imminently
Timeframe	Will occur at some point in next 50 years	Will occur at some point in the next 25 years	Will occur at some point in the next 10 years	Will occur at some point in the next 5 years	Will occur at some point in the next year
Probability	10% or less	Between 10-30%	Between 30-50%	Between 50-85%	85% or more

Respond

2.6 The response to each risk is categorised into one of the 4Ts of risk control:

- Terminate – rarely, we may be able to stop doing the activity altogether and thereby remove the risk altogether
- Tolerate – accept the risk and live with it because it is within our risk appetite and the cost of mitigating action would outweigh the benefits
- Transfer – move all or part of the risk to a third party or through insurance; however, sometimes accountability remains, particularly with a Council, so caution is advised
- Treat - take action to control the likelihood and/or impact and set a target to move the risk to within the risk appetite once the action has been implemented

Monitor and Report

2.7 Risk owners are responsible for monitoring and reporting operational and programme/project risks.

2.8 At the end of each quarter, Assistant Directors review and challenge the strategic risks at the Corporate Governance Clinic prior to formal reporting to Senior Leadership Team (SLT), Cabinet and Audit & Governance Committee.

2.9 From Quarter 1 2023/24, all “High” (red status) operational and programme/project risks will also be included in quarterly reporting.

3. STRATEGIC RISK REGISTER

3.1 The strategic risk register was developed by reviewing the priorities in Boston’s Corporate Strategy:

- Priority 1 – People Focused (Boston – Live, Work and Visit)
- Priority 2 - Future Prosperity, Regeneration and Inclusive Growth
- Priority 3 - Environmental Awareness and Accountability
- Priority 4 - Delivering high quality services and maximising use of technology to support residents

3.2 The strategic risk register has been reviewed and updated at the quarterly corporate governance clinic and by SLT. One risk – Externally Funded Schemes – has been removed and incorporated into the General Fund Assets risk as they were very similar in wording and mitigation. The change is shown in bold in Appendix A.

3.3 Summary of strategic risks as at Q4 (full details in Appendix A)

Risk	Risk score
Economic hardship	High (12)
Health	Medium (9)
Local economy	Medium (9)
Sustainability	Medium (6)
Budget	High (15)
Civil contingency risks	Medium (8)
Infrastructure risks	Medium (8)
Capital Programme	Medium (6)
General Fund Assets	Low (4)
Cyber Incident	High (15)
Technology infrastructure failure	High (10)

4. CONCLUSION

4.1 The risk management arrangements are designed to provide the Council with a clearer and fuller understanding of the key risks facing the organisation and how these are being managed. They enable the Council to pro-actively manage its risks taking into account the agreed risk appetite level.

EXPECTED BENEFITS TO THE PARTNERSHIP

The Strategic Risk Register has been reviewed and updated to reflect the strategic risks faced by the organisation. Aligning the format and reporting process for risks across the three sovereign councils will ensure that risk management continues to be efficient and effective across the Partnership. The additional risk register for Partnership risks will ensure that these are monitored and managed appropriately where there is synergy across the three councils.

IMPLICATIONS

SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP

We are currently identifying strategic risks which are common across the Partnership. This will streamline the monitoring and management of shared partnership-wide risks where there is synergy across all.

We are also working on identifying risks to the Partnership itself, which will be monitored and reported in addition to the Council-specific and partnership-wide registers.

CORPORATE PRIORITIES

Effective risk management arrangements support all of the corporate priorities

STAFFING

None

CONSTITUTIONAL AND LEGAL IMPLICATIONS

None

DATA PROTECTION

None

FINANCIAL

None

RISK MANAGEMENT

Whole report

STAKEHOLDER / CONSULTATION / TIMESCALES

No consultation undertaken

REPUTATION

None

CONTRACTS

None

CRIME AND DISORDER

None

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

None

HEALTH AND WELL BEING

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

ACRONYMS

SLT: Senior Leadership Team

APPENDICES	
Appendices are listed below and attached to the back of the report: -	
APPENDIX A	Q4 strategic risks

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

CHRONOLOGICAL HISTORY OF THIS REPORT

The Q4 strategic risks were reported to Cabinet on 28th June 2023.

REPORT APPROVAL

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