

CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance and Audit Committee	3 March 2021
Report Author	Chris Blundell, Head of Financial and Procurement Services
Portfolio Holder	Councillor Duckworth, Portfolio Holder for Estates and Economic Development
Status	For information
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

This report provides the Governance & Audit Committee with a quarterly review of corporate risks.

Recommendation(s):

1. To approve the review of corporate risks.

CORPORATE IMPLICATIONS

Financial and Value for Money	<p>The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains reserves including a risk reserve, the size of which is commensurate with the financial impact of current and future risks. There are no specific financial implications arising from this report.</p> <p>It is the role and responsibility of the Section 151 Office to have active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.</p>
Legal	<p>Whilst the corporate risk register includes consideration of legal matters in as far as they relate to risks to the council, there are no legal implications for the recommendation required by this report.</p>

Corporate	Governance & Audit Committee approved the revised Risk Management Strategy on 6 March 2019, which includes a requirement to provide regular corporate risk updates to G&A Committee.								
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1" data-bbox="430 806 1396 1176"> <tr> <td colspan="2" data-bbox="430 806 1396 873">Please indicate which aim is relevant to the report</td> </tr> <tr> <td data-bbox="430 873 1308 974">Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td data-bbox="1308 873 1396 974"></td> </tr> <tr> <td data-bbox="430 974 1308 1075">Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td data-bbox="1308 974 1396 1075" style="text-align: center;">✓</td> </tr> <tr> <td data-bbox="430 1075 1308 1176">Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td data-bbox="1308 1075 1396 1176"></td> </tr> </table> <p>There are no equity or equalities issues arising from this report. The risk register identifies a number of activities designed to control risks and these will each need to be assessed for equality impact in their own right.</p>	Please indicate which aim is relevant to the report		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓	Foster good relations between people who share a protected characteristic and people who do not share it.	
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CORPORATE PRIORITIES (tick those relevant) ✓	
Growth	✓
Environment	✓
Communities	✓

1. Introduction

- 1.1. The Council monitors and manages its corporate risks through the Corporate Risk Register. The contents of the report highlight the high-priority corporate risks and show the arrangements in place to ensure these risks are monitored and managed appropriately.

2. Background

- 2.1. The Risk Management Strategy 2019-23 was approved by the Governance and Audit Committee at its meeting on 6 March 2019.

- 2.2. The strategy defines corporate risks as *'those which could impact across the whole council including those relating to partnerships'*. The strategy prescribes that these risks should be assessed by the Corporate Management Team (CMT) and the Member Risk Management Champion and then reported to the Governance and Audit Committee on a regular basis.

3. Risk, Risk Management and Responsibilities

- 3.1. **What is risk** - Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.

Risk can be a threat (downside) or an opportunity (upside)

- 3.2. A local authority's purpose is generally concerned with the delivery of service or with the delivery of a beneficial outcome in the public interest. The delivery of these objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success.

- 3.3. **What risk management** - Risk Management can be defined as:

*'Risk Management is the process by which risks are **identified, evaluated and controlled**. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements'*

(Audit Commission)

- 3.4. Risks have to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risk management includes identifying and assessing risks and then responding to them. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the "risk appetite".
- 3.5. **Roles and responsibilities** - The primary member oversight on risk is provided by the Governance and Audit Committee. Cabinet also has a member Risk Champion (the Portfolio Holder for Corporate Governance and Coastal Development) who promotes risk management and its benefits throughout the council.
- 3.6. At staff level, the high-level corporate risk register is regularly considered by the Corporate Management Team (CMT). G&A Committee considers changes to the corporate risk register, the reasons for the changes and the actions being taken to mitigate the likelihood and impact of those risks. A view is also taken regarding the extent to which the risks should be tolerated.
- 3.7. The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on Audit Committees (2018) sets out the key principles for audit committees operating in local government.
- 3.8. The statement sets out the key responsibilities of the committee to include:

*‘consider the **effectiveness** of the authority’s **risk management arrangements** and the control environment, reviewing the risk profile of the organisation and **assurances that action is being taken** on risk-related issues, including partnerships and collaborations with other organisations’*

3.9. The report seeks to aid the committee to discharge these responsibilities.

4. Corporate risk register

4.1. A summary of the highest scoring corporate risks on the register is set out in the table and the following narrative below, together with the comparative scores noted by the Governance & Audit Committee on 25 November 2020.

4.2. The scores are arrived at by multiplying the “likelihood” score by the “impact” score, where the maximum score for each is four, so the maximum total score is sixteen.

Ref	Description	Nov 20 Score	Mar 21 Score	Change
CR-05	Political Stewardship	16	16	No change
CR-11	Covid-19	16	16	No change
CR-12	Cyber Attack	16	16	No change
CR-01	Limited Resources	12	12	No change
CR-09	Brexit	12	12	No change

4.3. Each corporate risk is the responsibility of a member of CMT and they manage risk mitigation plans with the aim of reducing the likelihood and/or impact of each risk to a manageable level. As time moves on, the external environment changes and this can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk: hence the need to maintain vigilance in respect of mitigation plans as well as new and changing risks.

4.4. It is more difficult to take action to reduce the impact of a risk occurring, than it is to take action to reduce its likelihood. Hence in some cases, the scores after mitigation will remain relatively high.

5. Highest-scoring risks

5.1. **Political Stewardship (Impact 4, Probability 4):** This continues to represent a risk to the council, as demonstrated by the change in Council leadership in 2019, the Council remains in no overall control. It is still evident that there remain ongoing issues which could have a significant effect on the council. The council continues to pursue opportunities to support cross-party working and induction training for new members took place post election.

- 5.2. **Limited Resources (Impact 4, Probability 3):** The high score for Limited Resources reflects the fact that it is one of the few risks that in extremis could result in the council losing control of its own destiny.

The impact of Covid-19 on the council's finances has been profound. During the summer of 2020, as the first wave had a major impact on residents and businesses, it also had a major impact on the council's spending (as we attempted to alleviate the worst aspects of the virus) and income (through reductions in fees and charges, Council Tax and Business Rates). For the current year, the council has also administered substantial financial support to residents and businesses.

Council against this background has now approved the 2021-22 budget, however the impact of Covid-19 on both income and expenditure forecasts led to a report to Cabinet on 30 July 2020 and Council on 10 September 2020. In addition quarter 3 budget monitoring report to Cabinet estimated the financial impact of Covid was £5.2m against an estimated £3.5m of government funding, leaving a budget gap of £1.7m.

As a result, difficult decisions have been made about the use of reserves to bridge this gap. A knock on effect of the pandemic is also likely to impact on the budget process for 2022-23 and the Medium Term Financial Plan. Further difficult decisions will be required over this medium term to ensure reserves are replenished.

There is uncertainty about the shape of local government finance envisaged as a result of national reviews of Fair Funding and Business Rates. These reviews have major implications for financial planning for the council's Budget and Medium Term Financial Strategy.

- 5.3. **Brexit (Impact 3, Probability 4) -** The UK left the European Union on 31 January 2020. The UK Government has now agreed a deal with the European Union.

Although the deal is positive news for the UK and more beneficial than no deal, there are potential issues that may still arise during an initial adjustment period. The recent issue around the export of vaccines from the EU to other third countries is an example of this.

Therefore significant risk may still manifest and whilst there are national concerns that must be addressed, the council must focus primarily on managing those risks which have a local and regional impact in particular.

The scale of its effect should not be underestimated and the council has identified a lead officer to lead on Brexit related issues and progress contingency planning.

The Council has received £500k additional funding from the Government to assist with some of the additional impact of Brexit on local issues.

- 5.4. **Coronavirus (Impact 4, Probability 4):** In 'normal' emergencies, local authorities and local resilience forums deal first with an emergency and then the Recovery –

getting back to 'business as usual' (for example, when the flood waters recede, work takes place to repair any damage and to get people back into their homes). The Recovery from the Covid-19 Pandemic will be unlike any other in our lifetimes. The crisis has gone on for longer, been more extreme and will have more profound consequences than anything we have prepared for before.

The Country has now entered a third period of lockdown and although this third phase does not have all the restrictions of the first, it delays the path to full recovery and means the Council are continuing to deal with significant challenges in running a normal service.

The current pandemic spans other Emergency Planning events including the end of the Brexit Transition Phase and that for much of it, staff and partners will be working remotely. Finally, the sheer scale and breadth of the social and economic impacts means that we will be entering uncharted territory and it is hard to predict where we will end up.

- 5.5. **Cyber Attack (Impact 4, Probability 4):** The Council is becoming more and more aware of cyber attacks across the local government sector. This and recent attempts to send emails to staff from internal email addresses such as the Chief Executive's, further highlights the impending risk to internal systems.

At a time when the majority of staff are working from home due to the pandemic, a much higher reliance on IT systems is needed and therefore the risk of disruption to Council services as a result of a Cyber attack is heightened.

6. Recommendation

- 6.1. To approve the review of corporate risks

Contact Officer:	Chris Blundell, Director of Finance
Reporting to:	Tim Willis, Deputy Chief Executive and S151 Officer

Corporate Consultation

Finance	Chris Blundell, Director of Finance
Legal	Tim Howes, Corporate Director Governance