

<b>REPORT TO:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>DATE:</b>	27 <sup>TH</sup> SEPTEMBER 2023
<b>SUBJECT:</b>	RISK MANAGEMENT REPORT
<b>PURPOSE:</b>	TO PROVIDE AN UPDATE ON RISK MANAGEMENT
<b>KEY DECISION:</b>	NO
<b>PORTFOLIO HOLDER:</b>	COUNCILLOR FRY, PORTFOLIO HOLDER FOR FINANCE
<b>REPORT OF:</b>	JOHN MEDLER, ASSISTANT DIRECTOR – GOVERNANCE
<b>REPORT AUTHOR:</b>	SUZANNE ROLFE, GROUP MANAGER - INSIGHTS & TRANSFORMATION
<b>WARD(S) AFFECTED:</b>	ALL
<b>EXEMPT REPORT?</b>	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. BACKGROUND

1.1. The Council's Constitution details that the Audit and Governance Committee is responsible for overseeing the Council's risk management arrangements. Under its Terms of Reference the Committee is required to:

- consider the adequacy and effectiveness of the Council's risk management arrangements;
- seek assurances that appropriate action is being taken on risk-related issues identified by auditors and inspectors;
- assess whether the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it

1.2. To support the Committee in discharging its responsibilities, this report sets out the Quarter 1 position for risk management as at the end of June 2023.

1.3. A Risk Management Policy has been drafted for the Partnership. This will be reviewed by Senior Leadership Team and Portfolio Holders and in the first instance. It will then come to Audit & Governance Committee for comment prior to Executive Board and then Council for approval. The aim is to bring this to the November meeting of this Committee with Quarter 2 reporting.

1.4. The review will include items previously identified by the Committee:

- Risk appetite
- Heat map
- Direction of travel
- Clear marking of changes to the register each quarter
- Target risk
- Future actions
- Opportunity risk

## 2. STRATEGIC RISK REGISTER

2.1. The strategic risk register has been reviewed for Quarter 1.

2.2. Two new risks have been identified across the Partnership relating to the implementation of the Environment Act and the introduction of Extended Producer Responsibility. These replace the risk shown in the last report for Quarter 4 in July 2023 which had incorrect wording and has now been corrected and split into two risks, as set out in Appendix A.

2.3. Items identified at Overview Committee are being reviewed for reporting in Quarter 2:

- CORP001(b) – Economic Growth. Under review: Current proposals for an extension of Louth Industrial Estate are not currently included on the risk register. Overview Committee has requested that this be given consideration to be added to the register as a risk to the local economy.
- CORP002 – Uncertainty of future Lincshore flood defence scheme. Under review: Overview Committee has requested that this risk is re-evaluated again as flooding would be a serious risk to the coastal economy.

2.4. Items identified at the July meeting of Audit & Governance Committee are also being reviewed for reporting in Quarter 2:

- Cross-referencing of emerging risks from the combined assurance report
- CORP001 – Reduction in government funding to deliver Council services and local priorities. Consider the wording in relation to reduction in funding and sensitivity analysis; also consider combining the two risks (1 and 1a) due to crossover
- CORP001(b) – Economic Growth. Cross-reference economic growth risk and economic hardship risk; why is the economic growth risk falling yet economic hardship risk rising – both to be reviewed
- CORP012 – Technology Infrastructure failure. Likelihood score of 2 (unlikely) seems low – score to be reviewed
- General Fund Assets. Consider if a low risk should be on the strategic risk register
- Implementation of the Environment Act. Risk score seems high compared to other risks – score to be reviewed

2.5. The table below provides a summary of strategic risks as at Q1 (full details in Appendix A)

<b>Risk</b>	<b>Risk score</b>
Reduction in government funding to deliver Council services and local priorities	High (12)
Budget	High (15)
Economic Growth	Medium (9)
Uncertainty of future Lincshire flood defence scheme	High (10)
Business continuity and recovery in the event of a major incident or event	High (15)
Failure to comply with Health and Safety requirements	Medium (6)
Local Plan not delivering economic growth & prosperity	Medium (9)
Failure to deliver safeguarding children, young people and vulnerable adults responsibilities	Medium (8)
Failure to comply with Information Governance and Management requirements	Medium (8)
Attainment of revenue through Treasury Management policies and commercially driven capital expenditure	Medium (8)
Resilience and quality of service delivery arrangements with third parties	Medium (9)
Technology Infrastructure failure	High (10)
Cyber Incident	High (15)
Capital Programme	Medium (6)
General Fund Assets	Low (4)
Economic Hardship	High (12)
Implementation of the Environment Act	High (15)
Introduction of Extended Producer Responsibility	Medium (9)

2.6. A partnership risk register is also currently in development.

### **3. CONCLUSION**

- 3.1. 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 reviewing 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**

None

**APPENDICES**

Appendices are listed below and attached to the back of the report: -

APPENDIX A

Q1 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****Name of body****Date**

Executive Board

20<sup>th</sup> September 2023**REPORT APPROVAL**

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