



Audit Panel

Report title: Risk Management Update

Date: 16 September 2021

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: David Austin, Director of Finance, Karen Eaton, Group Manager, Insurance and Risk

Outline and recommendations

1. The purpose of this report is to update members of the Audit Panel on the Council's Strategic Risks, as detailed in the Strategic Risk Register, for the quarter ending 30 June 2021.
2. Audit Panel are recommended to:
 - (i) note this report

1. Recommendations

- 1.1 The Audit Panel are recommended to:
 - (i) note this report

2. Policy Context

2.1 The contents of this report are consistent with the Council's policy framework. It supports the priorities set out in the Corporate Strategy 2018-2022:

- Open Lewisham
- Tackling the housing crisis
- Giving children and young people the best start in life
- Building an inclusive local economy
- Delivering and defending: health, social care and support
- Making Lewisham greener
- Building safer communities

2.2 It supports all of the Council's priorities generally through effective risk management for all of its activities and duties.

3. Background

3.1 Risk is identified and managed in accordance with the Council's Risk Management Strategy. The Risk Management Strategy was reported to Audit Panel in June 2021. Updates to reflect the current reporting arrangements and extend the Strategy for a further year were agreed.

3.2 Risk was last reported to Audit Panel on 23 June 2021 (March 2021 registers) and to EMT on 28 July 2021 (June 2021 registers).

3.3 This reports summarises the risks identified as at the end of June 2021, as reviewed and approved at EMT on 28 July 2021.

4. Summary of Strategic Risk Changes this quarter

4.1 One risk (6.A.1 Disruption to Council services from Brexit) has been deleted from the Strategic Risk Register this quarter and impacts will be noted within individual risks, as appropriate.

4.2 One new risk (4.B.2 Delivery of Building for Lewisham fails) has been added as a new risk, rated amber and within tolerance of target.

4.3 Cultural resistance to change negatively impacting employee relations (3.A.3) has been renamed 'Pace of change negatively impacts service delivery and employee morale' and has been downgraded from red to amber to more accurately reflect the current status.

4.4 The Covid emergency response risk ((5.B.2) has been downgraded from red to amber to reflect the Future Lewisham plans and work with partners.

4.5 Narrative and actions have been updated throughout the register, as detailed in the change log.

4.6 The key risks anticipated for the next 12 months are recorded in the Strategic Register and key risks are shown in the table below in order of the current risk ranking.

Key Risks	Ref	Title	Current	Target	Change
Red-Red High Risk and big variance current to target	1.A.1	Info Governance Failure	16	8	None
	2.A.1	Internal Control	16	8	None
	2.B.2	Cyber Security	15	5	None
	5.A.1	Un-balanced budget	25	4	None
Amber-Red Medium Risk - big variance current to target	1.A.2	Implement service changes	12	4	None
	1.B.1	Health & Safety	12	6	None
	1.B.2	Legislative change	12	5	None
	1.B.4	Impact of Climate Change	15	6	None
	2.B.1	ICT infrastructure	12	5	None
	3.B.1	Ineffective partnership working	8	4	None
	3.B.2	Integrated models for health & care	12	4	None
	4.A.1	Strategic supplies/procurement	12	6	None
	4.B.1	Performance failure	12	4	None
5.A.2	Unforeseen expenditure	12	6	None	
Red-Amber	2.A.3	Delivery of strategic change	15	10	None
Red-Green	2.A.2	Failure in Child Safeguarding	25	20	None

High Risk with minor variance to target	2.A.5 Serious Adult Safeguarding Concern	20	20	None
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5. Completion of Planned Actions

5.1 All actions in the Strategic Register are either completed or progressing satisfactorily in accordance with expected timescales, with the exception of those listed below where the dates have slipped or been extended largely due to the diversion of resources as a result of COVID-19.

1.A.1 Information governance actions are work in progress but completion dates are slipping.

2.A.2 Child Safeguarding Workforce development, Supervision Policy and CSE Strategy slipped from September 20 to April 2021 – not updated due to diversion of resources to OFSTED inspection, the results of which will inform the next quarterly update.

2.B.1 Planning system is deemed at risk as out of support but no firm timeline yet agreed to replace

2.B.2 IT security and disaster recovery plans and recovery testing actions (including M365) have slipped to Sep 21

6. Horizon Scan – Future Risks

6.1 The following circumstances, identified through the PESTLE framework, may impact on the Council in the near future. Audit Panel will wish to assure themselves that there have been no changes in circumstances that would lead them to recommend that these risks should be added to the strategic risk register now or change an existing risk.

Political

- Integration of elements of the Health system – including commissioning.
- Changes to funding flows in respect of NNDR and CTax Benefit.
- Loss of Business Rates income from appeals &/or proposals to devolve to local level.
- Trend to free schools and academies and falling rolls.
- Governance and operational impact of Devolution agenda for London on Lewisham priorities and services.
- Potential policy changes following the Queen's speech

Economic

- Continuing austerity measures restricting work of local government.

- Catford and Lewisham regeneration/development, including Bakerloo line, new build priorities, organisation of housing service providers.
- Impact of migration on demand for services (short and medium term).
- Consequence of Brexit.
- Changes to National Funding Formula for schools and falling rolls.
- Recession and contraction of the economy as a result of the COVID-19. Pandemic.

Social

- Resourcing (skills) mix and staff churn from reorganisation changes.
- 2021 Census outcomes and predicted demographic changes.
- Consequence of Brexit.
- Consequence of COVID-19 and widening inequalities.
- Estate rationalisation and impact on ways of working.

Technological

- IT and digital strategy and fit for purpose systems to support changing ways of working.
- Impact of Universal Credit, Welfare Reform and Public Services legislation.

Legislation

- Scale and pace of statutory/legislative changes, e.g. Social Care changes.
- Flood and Water Management Act.

Environment

- Carbon Reduction Commitment.
- Environment Bill.

7. Internal Audit

- 7.1 An Internal Audit of the Council's Risk Management Arrangements was completed on 24 June 2021. The opinion was 'Satisfactory'.
- 7.2 The report makes 6 Medium and 2 Low recommendations. An action plan is in place and will be monitored with progress being reported to EMT and Audit Panel. Where a recommendation relates to a specific directorate, or need for reminders to be issued, this has been communicated to the relevant Executive Director/Officer.

8. Audit Panel

- 8.1. At their meeting in June the Audit Panel requested an update on the key financial risk – 5.A.1: Financial failure unable to maintain delivery within balanced budget – which continues to be rated red.
- 8.2. As set out in the action planned a number of the regular financial steps continue to be delivered – such as quarterly monitoring, presentation of the medium term financial strategy (MTFS), mid-year treasury management report, and revisions to the capital programme as schemes progress or are planned.
- 8.3. The risk continues to remain red for two main reasons: 1) the uncertainty of future funding arrangements for local government services complicated by the recovery from the Covid 19 pandemic; and 2) the challenges of delivering mitigations to keep the budget balanced on a timely and sufficient basis.
- 8.4. At present, as set out in the MTFS, the Council is assuming that local government funding will continue to face reductions. This is pending the Chancellor's budget now confirmed for the 27 October and the Local Government finance settlement which is expected to follow in December. In addition to the external funding risks, the Council continues to address those risks more directly its control that impact funding levels available for services. In particular the challenge of collecting monies owed to it for Council Tax, Business Rates, and for services provided to businesses and residents. This remains a particularly challenging task with the legacy of the Covid pandemic on business and household budgets, to which the Council remains sensitive.
- 8.5. When setting the budget for 2021/22 the Council agreed a number of measures to align overspending within budget and cuts to meet the available resources. Progress with delivering this these is reported in the monitoring reports which are currently showing a £9m service overspending position after use of £30m of one-off Covid funding. Work to address this overspending position is discussed regularly with the Councils senior leaders as teams work to implement the agreed changes. The position to be reported for September will determine the need for and scale of a cuts round. The officer proposals will be offered to select committees for scrutiny in November before being taken to Mayor & Cabinet for decisions to inform the build of the budget in January. These measures will be in addition to the £10m of cuts already agreed for the 2022/23 budget as continuation of work begun in this financial year.

9. Summary & Conclusions

- 9.1. The Council manages risk in accordance with its Risk Management Strategy 2017 – 2022.

- 9.2. The risk registers have been reviewed for the period ending 30 June 2021 and the Strategic Risk Register has been updated to reflect the current assessment of risk to the Council.
- 9.3. The June 2021 register was reviewed and approved at EMT at its meeting on 28 July 2021 and is appended to this report at Appendix A.
- 9.4. There has been one risk deleted (6.A.1 Disruption to Council services from Brexit) this quarter and impacts will be noted within individual risks.
- 9.5. One new risk (4.B.2 Delivery of Building for Lewisham fails) has been added as a new risk, rated amber and within tolerance of target.
- 9.6. Cultural resistance to change negatively impacting employee relations (3.A.3) has been renamed 'Pace of change negatively impacts service delivery and employee morale' and has been downgraded from red to amber to more accurately reflect the current status.
- 9.7. The Covid emergency response risk ((5.B.2) has been downgraded from red to amber to reflect the Future Lewisham plans and work with partners.
- 9.8. The Risk Management Strategy will be updated during 2022, following completion of the Finance Restructure, resources permitting.

10. Financial Implications

- 10.1 There are no direct financial implications arising from this report. However, this report advises on the identification and management of risk with the objective of aiding management of those risks and thereby reducing unanticipated financial pressures.

11. Equalities Implications

- 11.1 There are none arising directly from this report.
- 11.2 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
In summary, the Council must, in the exercise of its functions, have due regard to the need to:
 - eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.

- foster good relations between people who share a protected characteristic and those who do not.

It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above.

The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Members must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

12. Legal Implications

- 12.1 The Authority has a duty to safeguard Council services and assets and seeks to meet that duty by having appropriate risk management arrangements in place.
- 12.2 The Audit & Accounts Regulations 2015 places a responsibility on relevant authorities to ensure that it has a sound system of internal control which:
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

- 12.3 The Council's Risk Management Strategy 2017-2022 aims to ensure that the Council's arrangements reflect the current best management practice as detailed in *the Management of Risk in Government Framework* and the *HM Treasury Orange Book – Management of Risk – Principles and Concepts* and is compliant with the statutory requirements as defined in the Audit & Accounts Regulations 2015.

13. Climate change and environmental implications

- 13.1 There are none arising directly from this report however the impact of climate change (e.g. air quality, extreme weather, flooding, compliance with new requirements/standards for service delivery) is included in the Strategic Risk Register as a risk that is currently rated as amber.

14. Crime and disorder implications

- 14.1 There are none arising directly from this report however some of the risks recorded within the Strategic Risk Register have crime and disorder implications (e.g. 3.B.1 Multi-agency Governance).

15. Health and wellbeing implications

- 15.1 There are none arising directly from this report however some of the risks recorded within the Strategic Risk Register have health and wellbeing implications (e.g. Multi-agency Governance, Failure to agree with partners integrated delivery models for local health and care services) and others could impact indirectly.

Report Author

If there are any queries on this report, please contact David Austin, Director of Finance or Karen Eaton, Group Manager, Insurance & Risk.