
Strategic and Operational Risk Registers

Governance and Audit Committee

Date of meeting: 22nd November 2023

Lead director: Miranda Cannon

Useful information

Ward(s) affected: All Wards

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1. Summary

The purpose of this report is to provide to the Governance and Audit Committee (G&AC) an update on the Strategic and Operational Risk Registers

- **Appendix 1a the Strategic Risk Register (SRR)** provides a summary of the strategic risks facing the council which may affect achievement of the strategic objectives of the council and **Appendix 1b** is an example of a completed risk control action plan – more **detail at section 4.1**;
- **Appendix 2, the Operational Risk Register (ORR)** exposure summary, provides a high-level summary of the operational risks, which may affect day-to-day divisional and operational service delivery. The operational risk register are those risks identified and assessed by Divisional Directors as having a risk score of 15 or above;
- **Appendix 3, the ORR**, supports **Appendix 2** (the summary of the ORR) which provides the detail in relation to the council's operational risks.

2. Recommended actions/decision

G&AC is asked to:

- Note the SRR and ORR (as at 30th September 2023)

Make any comments to the Director of Delivery, Communications and Political Governance

3. Background

- 3.1** The Council's 2023 Risk Management Strategy requires the development, maintenance and monitoring of both the SRR and ORR.
- 3.2** Both the SRR and ORR processes are owned and led by the Head of Paid Service. The Corporate Management Team collectively support the strategic risk register process documenting the key strategic risks facing the council and help to ensure these are managed and the SRR is then submitted to the Executive for their consideration. It complements the operational risk register process which is supported and managed by the Divisional Directors in conjunction with their divisional management teams. Both registers are populated and maintained by the Manager, Risk Management for this group.

4. Detailed report

4.1 The **PESTLE** approach, a mnemonic which stands for '**Political, Economic, Social, Technological, Legal and Environmental**', has been implemented for the SRR as a framework for considering the wider context and environment, and the risks that this gives rise to. **Appendix 1a** indicates which category of **PESTLE** the strategic risks relate to. A summary of the SRR in relation to each of these themes is set out at paragraph **4.2**. Individual risk owners for the SRR are Strategic Directors and/or those with statutory roles such as the Monitoring Officer and Section 151 officer (specific actions relating to the risk may be likely to be owned and delivered by other Directors and Senior Officers). This ensures there is robust strategic ownership and oversight of the most significant risks facing the organisation.

The summary (**Appendix 1a**) indicates risk scores from the previous risk reporting period including the variance in scores between the current and previous cycle and the total number of **high** operational risks (**risk score between 15-25**) (taken from the operational risk register) impacting the identified strategic risks.

The following amendments have been made to the SRR this reporting cycle and paragraph 4.2 provides a further narrative to explain these changes.

Three strategic risks with a reduced risk rating:

- **Risk 1.1 – Political** – Volatile political and policy environment, **reduced from 20 to 9**
- **Risk 2.1 – Economic** – Instability and weak economy, **reduced from 25 to 16**
- **Risk 3.5 Socio-cultural** - Inability to respond effectively to tensions and issues arising from rapidly changing cultural and community dynamics – **reduced from 16 to 12**

Three strategic risks with an increase in rating:

- **Risk 2.2 Economic** - Lack of critical skills, resources and capabilities across the workforce, **increased from 16 to 20**
- **Risk 3.1 Socio-cultural** - Growth in demand due to rising cost of living and population growth, **increased from 20 to 25**
- **Risk 4.2 Technological** - Inability to innovate and respond to new and emerging technological developments, **increased from 12 to 15**

One new strategic risk added has been added:

- **Risk 3.3 – Socio-cultural** - Inability to respond to critical housing needs

One strategic risk has been deleted:

- **Previous risk 3.3, Socio-cultural** – Effectively responding to major incidents.

Strategic Risk 2.2 (Economic – Lack of critical skills/resources and capabilities) has 11 divisional risks linked to it (supported by the Operational Risk Register) reflecting the ongoing challenges of recruiting and retaining staff across a range of services.

Changes are to be expected given the review of the SRR and the continuing volatile financial and economic climate. Each risk in the summary is supported by a more detailed risk control action plan capturing existing risk controls and proposed further actions/controls (unless the risk strategy is to tolerate the risk without further controls). **See Appendix 1b for an example of a completed risk control action plan.** With the revisions made to the SRR and ORR approach and format, the divisional and operational risk registers will allow better and clearer alignment between the strategic risks and operational risks. The majority of operational risks should have an alignment back to one or more of the overarching strategic risks facing the council. However, there will be high risks at operational level that may not have a direct impact on any of the strategic risks.

4.2 Update on the Risk Themes (PESTLE)

4.2.1 Political

Two strategic risks are under this theme, **one remains a low risk** and the other has been **reduced from a high to a medium risk**. **No new strategic risks** have been identified.

The political and policy environment risk has reduced from high to medium (**lower spectrum of medium**) reflective of further embedding of changes to the local political landscape following local elections in May 2023. Officers have greater familiarity and have adjusted to the political landscape changes and are working hard to provide support across all political groups. Work is ongoing to support elected members particularly for new elected members, through advice, guidance and via the ongoing member development programme to upskill them in relation to governance processes and council services widely.

Nationally, there remains a level of uncertainty and volatility as the country moves towards a general election some time in 2024/25, and there are a number of areas of national policy which are subject to change which impacts local government, such as policies relating to asylum seekers, local government finance and levelling up. Ensuring that mechanisms for two-way engagement with central government are deployed along with lobbying as appropriate is important to manage this risk.

4.2.2 Economic

There are **three red strategic risks** under this theme. The score relating to **financial sustainability remains at 25**, the highest rating reflecting the very challenging financial position of the council including significant in-year budget pressures during the 2023/24 financial year, and the projected future funding gap with a rapidly reducing level of reserves. This risk severely compromises service delivery and will negatively impact outcomes and residents including the most vulnerable, at a time of high demand. Significant work is underway with regard to identifying future savings and the management of cost pressures as part of the 2024/25 budget preparations.

The risk score **(16)** on risk **2.1** regarding the **economic context** has reduced slightly reflective of the national economic context with inflation falling slightly and some indications of prices stabilising, although remaining at a high level comparatively continuing to impact on the cost of goods and supplies. As the Council works through preparations for the next budget cycle, financial strategy projections for both capital and revenue will need to take account of this national context.

The risk score for **2.2 has increased from 16 to 20** reflecting the ongoing challenge in attracting individuals to roles across a range of technical disciplines and at senior levels. It is also reflective of the limited progress that departments and services are making on more proactive workforce planning which is constrained by the time and capacity to invest in this. HR are providing guidance, tools and support with an agreed focus across the organisation on the highest risk posts and areas.

4.2.3 Socio-cultural

There are **five risks** in this category, **four high red rated risks and one medium risk**. This includes **one new red risk** related to inability to meet critical housing needs. This has replaced a **green rated risk which has been removed** as a strategic risk and related to the risk of an inadequate response to major incidents. This risk was previously deemed as low and the senior management team view is this is not a strategic risk given the level of organisational preparedness and evidenced ability to respond to major incidents. This has now been reflected on the operational risk register instead but remaining green.

The **new risk added** relates to a risk that the Council is unable to meet critical housing need. At the current time there are significant issues creating major pressures on housing. Such issues include a withdrawal of private landlords from the market due to changes in regulation and rising costs, a limited supply of land in the city for new development and a wider slow-down by the private sector in housing development due to inflation and rising costs as well as the pressures arising from the cost of living on families and increasing numbers at risk of homelessness along with the placement of asylum seekers and refugees.

The **overall score has again increased** for a consecutive period on **strategic risk 3.1** which is now scored at the highest possible of **25**. This reflects a worsening situation in terms of increased demand arising from the ongoing cost-of-living crisis as well as population growth. This has resulted in significant in-year budget pressures in areas such as social care and housing and is therefore exacerbating further the significant financial challenges facing the council.

The **rating of risk 3.5** relating to the potential impacts arising as a result of rapidly changing cultural and community dynamics has been reduced reflective of an improving level of confidence in the organisation in responding to this through close working with partners and ongoing work to continue to maintain and develop community links.

Risk 3.4 relating to impacts arising from the numbers and complexity of needs of asylum seekers and refugees remains high. Whilst there is significant ongoing work to seek to manage this risk, it is also impacting significantly on the financial position of the council, including for example the pressures arising from the significant numbers of unaccompanied asylum-seeking children needing support.

4.2.4 Technological

Three risks remain under this category. Technology and data remain fundamental to Council operations and the risk of disruption to the technology infrastructure remains a high risk given the impact such disruption would have. The Council is a participant in the DHLUC Future Councils programme and as part of this has completed two of four domains in an assessment of our cyber security, risk management, disaster recovery and business continuity maturity using the National Cyber Security Centre Cyber Assessment Framework (CAF). The next two domains are to be progressed and from this we will be able to identify any further areas we can strengthen in terms of our existing arrangements as well as to be able to benchmark our maturity against other local authorities. Similarly, participation in the Future Councils programme is also helping in terms of mitigations for **strategic risk 4.2** and the ability to consider new technologies and our technology infrastructure. However, the **scoring of this risk (4.2)** has increased in relation to likelihood due to the financial position being a potentially major constraint with regard to investment in new technologies.

4.2.5 Legal

There is **one strategic risk** in this theme relating to unmanageable regulatory, legislative and national policy requirements, which remains a **high risk** due to the ongoing levels of intervention by Government being seen in other local authorities, and with the introduction of new regulatory and changed inspection regimes, such as the Office for Local Government (Oflog), more demanding inspection regimes in areas such as special educational needs and new inspection systems for adult social care. Failings in other local authorities further increases the scrutiny of local government and increases the potential for greater accountability,

reporting and ultimately intervention. It remains critical that the Council continues to focus on delivering any improvements arising from external audit, inspection, reviews and learns lessons arising from interventions in other authorities, as well as maintaining strong governance arrangements.

4.2.6 Environmental

The **one risk** under this theme remains as a significant risk arising from the impacts of climate change. Tackling the climate emergency remains a critical council priority with a new draft climate emergency action plan encompassing a wide range of ongoing and proposed new actions across the council, and which sits alongside ongoing work with the Environment Agency on flood defence, and local preparedness as part of the wider Local Resilience Forum for issues such flooding and hot weather.

4.3 The below matrix provides an indicator of the status of the council’s strategic risks in terms of likelihood and impact. The risks in the **darker grey area quadrant require regular reviewing and monitoring** and consideration for further controls and should receive the most challenge and given priority. Risks in the **medium grey area also require regular reviewing and monitoring** to ensure they do not escalate to the **dark grey** quadrant.

LIKELIHOOD (A)	Almost Certain 5			4.2	2.2, 3.3 3.4, 4.1 5.1	2.3 3.1
	Probable / Likely 4				2.1 3.2 6.1	
	Possible 3			1.1 4.3	3.5	
	Unlikely 2				1.2	
	Very unlikely/ Rare 1					
		Insignificant/ Negligible 1	Minor 2	Moderate 3	Major 4	Critical / Catastrophic 5
IMPACT (B)						

4.4 Operational Risks Update

The risks in the ORR (**Appendix 2/3**) are presented by:

- Strategic Area (in alphabetical order);
- Then by Divisional Area (again within alphabetical order);
- Then by 'risk score' with the highest first.

The summary of operational risks attached at **Appendix 2** indicates the number of high risks for each department/strategic area. With regards to the **ORR**, **26** existing risks have been amended, **2** deleted and **3** new risks were added to the ORR this quarter.

Appendix 2 provides a summary of operational risks facing the council. **Appendix 3** provides in-depth details on the risks summarised at **Appendix 2**. **18** risks had amendments to the controls. These are **risks 1, 5, 9, 10, 11, 12, 13, 14, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30**.

Changes were made to the risk scores on the following risk:

Division	Risk Description	Risk score now
Children's Social Care and Community Safety	Budget	5(I) 4(L) – 20 Was 15
Housing	Refugees	4 (I) 5(L) - 20 Was 16

The 2 deleted risks are:

Division	Risk Description	Reason for deletion
DCPG	Loss of income opportunities	Risk Score now 12
ASC and Commissioning	Staffing	Risk Score now 12

The 3 new risks added are:

No.	Division	Risk Description	Risk Score
3	Housing	Homelessness	4(I) 5(L) - 20
14.	DCPG	Age and Condition of Specific Leisure Centres Impact and Implications	4(I) 4(L) - 16
10	ASC and Commissioning	Unable to deliver savings	4(I) 4(L) - 16

Both appendices have been compiled using divisional risk registers submitted by each Divisional Director. The most significant managed/mitigated risks (scoring 15 and above) identified within these individual registers have been transferred to the council's ORR.

As a reminder, where a risk is '**deleted**' it does not always allude to the risk being eliminated. It refers to the risk score no longer being 'high' and it may well remain within the individual divisional register with a score below 15.

- 4.5** Governance and Audit Risk Committee are reminded that the council's Risk Management Strategy refers to the process of embedding risk management within business areas. The risk registers allow this to be evidenced, but if this process is to be demonstrated as a method by which the council manages its risk profile, it has to be more than the regular submission of a register to REBR on a timely basis. The updates/changes to the risk registers is a positive indication of this and the process of risk management is a daily activity throughout the authority to indicating the council is managing its risks and its exposure.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

There are no direct financial implications arising from this report.

Kirsty Cowell, Head of Finance, Ext 37 2377

5.2 Legal implications

There are no direct legal implications arising from this report.

Kamal Adatia, City Barrister, Ext 37 1401

5.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The council also has an obligation to treat people in accordance with their Convention rights under The Human Rights Act, 1998.

The report provides an update on the Strategic and Operational Risk Registers and Health & Safety data. The ability of the council to meet its duties under the Equality Act 2010 is specifically accounted for in the strategic risk register. However, equalities and human rights considerations cut across all elements of risk management, including strategic and operational risk management.

Some of the risks identified in the Strategic Risk Register would have a disproportionate impact on protected groups should the council no longer be able to effectively manage them and, therefore, the mitigating actions identified in the strategic risk register support equalities outcomes. For example, should the council fail to safeguard effectively, this would have a disproportionate impact on the human right (prohibition of torture, inhuman or degrading treatment) of those from protected groups, such as age and disability. Likewise, a failure to engage stakeholders could lead to a failure to identify tensions arising in the city (particularly as the financial challenges impact on communities) leading to unrest in specific communities/areas of the city. This, in turn, would have an impact on the council's ability to meet the general aim of the PSED to foster good relations between people who share a protected characteristic and those who don't.

Therefore, the on-going work to update and consider risk management implications in making decisions and assessment of the effectiveness of the controls/ mitigation actions for the risks identified in the report and appendices, will support a robust approach to reducing the likelihood of disproportionate equality and human rights related risks, provided the mitigations/ controls themselves are compliant with the relevant legislation. The maintaining and monitoring of the Strategic Risk Register will support the delivery of the Council's corporate goals in ensuring that the identified risks are appropriately managed.

Effective risk management plays a vital role in ensuring that the council can continue to meet the needs of people from across all protected characteristics and, in some circumstances, will be particularly relevant to those with a particular protected characteristic. For example, some risks included in the operational risk register (relate to people with specific protected characteristics such as disability (children with special educational needs, people with mental ill health).

Surinder Singh, Equalities Officer, Ext 37 4148

5.4 Climate Emergency implications

The risks associated with climate change such as increased flooding, heatwaves and droughts, their consequences and the council's management of these risks are the subject of risk 6.1 – Environmental within the SRR and are considered through the ORR process. This allows for monitoring of the risks and consequences and the actions that are in place to control them, as well as further actions required. Following Leicester City Council's declaration of a Climate Emergency in 2019, an ambition has been set to achieve net zero carbon emissions by 2030, with climate change identified as one of the key priorities for the council to tackle. Further detail on the risks and impacts of

climate change for the UK can be found in the official Met Office UK Climate Projections (UKCP).

Aidan Davis, Sustainability Officer, Ext 37 2284

6. Summary of appendices:

Appendix 1 – Strategic Risk Register as at 30th September 2023

Appendix 1b – Example of completed Risk Control Action Plan

Appendix 2 – Operational Risk Register Summary as at 30th September 2023

Appendix 3 – Operational Risk Register in detail as at 30th September 2023

7. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

8. Is this a “key decision”? If so, why?

No