Strategic and Operational Risk Registers

Governance and Audit Committee

Date of meeting: 5th December 2024

Lead Director: Andrew Shilliam, Director of Corporate Services

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 high-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 and make any comments on the SRR and ORR (as at 30th September 2024).

3. Background

3.1 The Council's 2024 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.

3.3 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 are 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 ORR, 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.   The following risk score has been amended since the last reporting, but still remains high:

- **SRR Risk 2.2 – Economic:** Lack of critical skills, resources, and capabilities across the workforce – risk score reduced from 20 to 16.

14 strategic risks have remained the same in terms of scoring. Note that changes to risk scores are minimal due to the recent review of this register.

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.**

Most operational risks should have an alignment back to one or more of the overarching strategic risks facing the council. However, there may 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)

No new strategic risks have been identified in the latest update and as the SRR had a recent update as at 31.08.24, there are minimal changes to note in respect to the risk scores.

4.2.1 Political

Two strategic risks are under this theme, one remains a low risk and the other remains a high risk.

The risk relating to the Changing Political and Policy Environment (SRR 1.1) is high and relates particularly to the certain changes in national policy direction now that a new Government has been formed. This is likely to impact on local government and resources may need to be shifted to meet the new and changed policy direction.

Ensuring that mechanisms for two-way engagement with central government are deployed along with lobbying as appropriate continue to be important to help in managing this risk, as will more effective workforce capacity and resource planning and the newly created 'policy scanning' resource. This role will help develop a better understanding of the national policy position and make the connection with existing divisional activity or resource involved in policy development.

The risk relating to Failures in the Integrity of Local Governance and Decision-Making (SRR 1.2) has not changed and remains low. It is further treated through the strengthening of our Internal Audit arrangements. We have new providers in place with a good track record of delivery and we have already seen an improved focus on targeted audited activity.

4.2.2 Economic

There are three strategic risks under this theme, two remain high risks and one is a medium.

The risk relating to Economic instability and weak economy (SRR 2.1) is medium at 12, which reflects the ongoing weakness of the national economy coupled with high levels of national debt and prices medium to high. What's more, the direct financial burden placed on us continues to be challenging because of persistent economic uncertainty, pressure from future pay awards, and pressure from increasing resident expectation and support.

These are mitigated by improved procurement activity and a more robust approach to managing capital projects. Further planned activity around financial strategy projections and budget setting that consider and build in appropriate measures about the ongoing impacts of a weak economy help maintain this at a medium level of risk.

The risk relating to the Lack of critical skills, resources, and capabilities across the workforce (SRR 2.2) remains high which reflects ongoing difficulties in attracting the workforce of the future at a time when there is wider financial uncertainty for Councils, and we know we have an aging workforce.

The condensing of our pay grades because of successive paw awards creates further challenges as it narrows the gap between the lower and upper grades, which in turn results in middle and senior management disruption. Our efforts so far mitigate this score downwards, but it remains high. More work is required to establish a strategic and rigorous approach to workforce planning, one that the organisation embraces.

The risk relating to Medium to Long Term financial sustainability (SRR 2.3) remains a high risk, which reflects the reducing capital and revenue funding position. Short term mitigations such as the use of non-earmarked reserves and our ongoing strategic budget review activity, together with the further management controls which also include changes to the way we provide Adults and Childrens Social Care (being two areas of significant and increasing spend).

4.2.3   Socio-cultural

There are five risks in this category, four high-rated risks and one medium risk.

The risk relating to the Growth in demand due to rising cost of living population growth and greater complexity of need (SRR 3.1) is high and currently scores the maximum rating of 25 without further treatment and controls. This is related to both increasing demand and the complexity of need individuals are presenting with, both which result in substantial budget pressures across areas such as housing, children's social care and special educational needs.

An increasing population, increased frailty in the older population, combined with pressures on households from increased cost of living leads to greater need and demand for Council services too. Current analysis suggests that introducing further controls will lower this score to 15, but it remains a high strategic risk.

The risk relating to our Less healthy and health resilient population (SRR 3.2) remains a high rated risk and current concerns regarding Tuberculosis (TB), measles cases, and more recently Mpox, are evidence of some of the local health challenges along with the challenge of ensuring the wider health system is sufficiently focused on preventative public health interventions versus reactive emergency and crisis healthcare.

The national risk level for any new outbreak of a notifiable exotic disease and disease in animals remains high. Given the surrounding rural and farm-based economy, if this risk turns into a reality there is a high likelihood that this will require a local Leicester response. The further controls proposed suggest that the risk can be mitigated to a medium score.

The risk relating to our Inability to respond to critical housing needs (SRR 3.3) remains high, especially because we are still unable to respond to the housing need of residents because of reductions in available housing in private and social rented sector including due to increased regulation and cost, and due to a slow-down in housing development due to costs and inflation, along with lack of availability of land within the city for new housing.

The housing demands and impacts are further exacerbated by high numbers of asylum seekers placed within the city needing support and where they are given leave to remain. The further risk control measures are plentiful and necessary, but do not change the risk score from high.

The risk relating to the Impacts arising from numbers and complexity of needs of asylum seekers and refugees (SRR 3.4) has the maximum rating of 25 at the last round of reporting and has not reduced.

This relates specifically to the impacts arising from the numbers and complexity of needs of asylum seekers and refugees which is placing major demands on the Council particularly in relation to housing and children's social care, and which has caused significant in-year pressures in relation to spend on temporary housing and homelessness services, and in terms of children's social care placements. The range of national support schemes in place further complicates our service delivery arrangements.

The risk relating to our Inability to respond effectively to tensions and issues arising from rapidly changing cultural and community dynamics (SRR 3.5) is considered to be a medium level risk, and relates specifically to our rapidly changing cultural and community dynamics in the city due to migration and population growth along with impacts arising from wider geopolitical politics and social media cause volatility in terms of community cohesion and tensions between communities in the city.

There is more to be done to develop a better understanding of the communities at large, the real or perceived challenges that they face, and to improve our understanding of and engagement with newer communities and community leaders/representatives.

4.2.4 Technological

There remain three strategic risks under this theme, with two being high and one being medium.

This risk relates to Disruption to technology infrastructure due to a cyber-attack (SRR 4.1). Technology and data remain fundamental to Council operations and the risk of disruption to the technology infrastructure remains a high rated risk, particularly given the first-hand experience of the disruptive impact of the cyber-attack earlier this year.

The risk score is high because of the impact, though lower in that range because the likelihood of an attack on us right now has reduced because of the improvements we have made this year in response to the cyber-attack.

The risk relating to our Inability to innovate and respond to new and emerging technological developments (SRR 4.2) remains high at 20, but we continue to work in developing our wider technology infrastructure and architecture against a backdrop of investment in new technologies being constrained by the council's wider financial position.

The risk relating to Data not appropriately managed or effectively used (SRR 4.3) remains medium, reflective of the organisation's continued growth in terms of its capability and maturity in using data.

4.2.5 Legal

There is one strategic risk under this theme, the Unmanageable national regulatory, legislative and policy requirements (SRR 5.1). This risk remains rated as high due to being unable to meet demands of new regulatory and inspection bodies and regimes such as the new inspection regime for Adult Social Care, more demanding inspection regimes in other areas such as SEND, and the new Housing Regulator requirements.

What's more, 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 therefore that the Council continues to focus on delivering any improvements arising from external audit and inspection and reviews and learns any lessons arising from interventions in other authorities, as well as maintaining strong governance arrangements.

4.2.6 Environmental

There is one strategic risk under this theme - the impacts and requirements arising from climate change (SRR 6.1) - which remains high. The focus of this theme remains on climate change demanding an ability to respond to physical extreme weather impacts, and to meet challenging targets / requirements which seek to tackle the causes of climate change.

Whilst tackling the climate emergency and our commitment to Net Zero remains a council priority, many of the desirable interventions are constrained by the need for funding at a time when the Council is experiencing major financial challenges. The city has also experienced some further significant flooding recently which brings significant impacts on individuals, communities and the Council and reinforces the reality of what this risk means in practice.

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

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 in 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**, there are **3** risks where **scores have changed**, **2 risks deleted** and **no new risks** were added to the ORR this reporting period, as highlighted below.

Appendix 2 provides a summary of operational risks facing the council. **Appendix 3 provides in-depth details on the risks summarised at Appendix 2. 21** risks had amendments to the controls. These are risks **1, 2, 3, 4, 5, 7, 9, 11, 12, 13, 14, 15, 20, 21, 22, 24, 27, 28, 29, 30 and 31.**

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

Division	Risk Description	Risk score now
Housing	Budget Pressures	Was 5(I) 4(L) - 20 Now 4(I) 4 (L) – 16
Childrens Social Care and Community Safety	Workforce availability	Was 5(I) 4 (L) - 20 Now 4(I) 4 (L) – 16
Childrens Social Care and Community Safety	Budget	Was 5(I) 4 (L) - 20 Now 4(I) 4 (L) – 16

The 2 deleted risks are:

Division	Risk Description	Reason for deletion
Housing	Refugees – increase in arrivals	**Score now 12** 3 (I) / 4 (L) **Was 25** (5x5)
Public Health	Budget – changes to service delivery	**Score now 12** 4 (I) / 3 (L) **Was 25** (5x5)

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 are 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 meets 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 1a – Strategic Risk Register as at 30th September 2024

    Appendix 1b – Example of completed Risk Control Action Plan

    Appendix 2 – Operational Risk Register Summary as at 30th September 2024

    Appendix 3 – Operational Risk Register in detail as at 30th September 2024

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