

REPORT FOR DECISION



MEETINGS:	STRATEGIC LEADERSHIP TEAM CABINET AUDIT COMMITTEE COUNCIL
DATE:	22 JUNE 2015 – STRATEGIC LEADERSHIP TEAM 8 JULY 2015 – CABINET 15 JULY 2015 - AUDIT COMMITTEE 9 SEPTEMBER 2015 - COUNCIL
SUBJECT:	RISK MANAGEMENT ANNUAL REPORT 2014/2015
REPORT FROM:	COUNCILLOR RISHI SHORI – DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE AND HOUSING
CONTACT OFFICER:	David Hipkiss, Risk and Governance Manager
TYPE OF DECISION:	COUNCIL - KEY DECISION
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
SUMMARY:	The Risk Management Annual Report provides Members with details of risk management activity that has taken place over the past 12 months. It outlines risk management policies and practices now in place and the key issues that will be addressed during the coming financial year.
OPTIONS & RECOMMENDED OPTION	Members are requested to re-affirm their support for the Council’s approach to Risk Management, and note progress made throughout 2014/15 and actions planned for 2015/16.
IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes

Financial Implications and Risk Considerations:	See Executive Director of Resources & Regulation comment below
Statement by Executive Director of Resources:	<p>There are no direct resource implications arising from this report.</p> <p>Risk management is an integral part of the Council's approach to Corporate Governance and service and financial planning and it is essential that robust risk management practices are put in place to safeguard the Council's assets and its reputation.</p> <p>Corporate, departmental and operational risk assessments have been undertaken and key elements of the resultant Management Action Plans are incorporated into Departmental Service Plans.</p>
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes (Governance Panel)
Are there any legal implications?	No
Staffing/ICT/Property:	There are no direct HR, IT or property implications arising from this report.
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny

TRACKING/PROCESS

DIRECTOR:

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
22 nd June 2015			
Overview & Scrutiny	Committee	Cabinet	Council
	Audit 15 th July 2015	08 th July 2015	09 th September 2015

1.0 BACKGROUND AND RISK PRIORITIES DURING 2014/15

- 1.1 The Cabinet approved the Council's Risk Management Policy and Strategy in March 2006 which is reviewed annually.
- 1.2 A number of challenges were presented to the Council during 2014/15 where risk management played a significant role in preventing disruption to service continuity.
- 1.3 The Council continued to experience reduced lack of funding, and increased demand for services, and responded to this through its "Plan for Change", achieving once again a slight underspend for the year.
- 1.4 A main focus for 2014/15 was ensuring the restructure and operational transition following the reduction of departments from four to three was carried out smoothly and that risk to the disruption of services during the transition was identified and managed effectively.

2.0 IMPLEMENTING RISK MANAGEMENT

- 2.1 Risk management forms an integral part of strategic planning in the Council, ensuring early intervention and management of uncertainty in delivering key strategic priorities. The role of risk management in the Council's Financial and Forward Planning Cycle is at Appendix A.
- 2.2 Early intervention and assessment of risks ensures that departments are able to fully prepare for existing and emerging priorities, and manage their objectives effectively against financial, reputational and performance risks, whilst meeting the Council's Priorities.
- 2.3 This approach to risk management ensures a continuous and evolving process that runs throughout the council's core functional activities at all levels.

"Good risk management supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels". A Risk Management Standard – Institute of Risk Management.

- 2.4 Risk Assessment Action Plan Registers (RAAP's) are used across departments to record identified risks and opportunities, and actions being taken. RAAP Registers as they are referred to throughout this report are used at all levels throughout the Council to record information and help manage Corporate, Departmental, and Operational risks.
- 2.5 RAAP's are an effective tool to identify, evaluate and manage areas of uncertainty and exploit opportunities at corporate, departmental and operational levels and to ensure achievement of the Council's aims and objectives.
- 2.6 The Council's risk management framework is outlined in summary below;

- An approved Corporate Policy & Strategy for Risk Management that can be read online or downloaded
- Corporate Risk Management Group (Member level)
- Operational Risk Management Group (Officer level)
- Establishment of a "Governance Panel" comprising the Executive Director of Resources & Regulation, Assistant Director for Legal & Democratic Services, Assistant Director of Resources & Head of Internal Audit.
- Comprehensive Intranet Risk Management Website and Toolkit
- Corporate Risk / Opportunity Assessment Action Plan Register
- Departmental Strategic Risk Assessment Action Plan Registers
- Operational Risk Assessment Action Plan Registers – held by service managers and maintained as part of the day to day management of service provision
- A Common Risk Register (General good practice guide)
- Dedicated Risk Management Section – Operating from Strategic Finance alongside but independent from Internal Audit
- "Team Bury" risk management framework Partnership Risk Assessment Model (PRAM)

2.7 Also in place is an effective communication and risk reporting network, with regular reports to:

- Full Council (annual report)
- Audit Committee
- Strategic Leadership Team
- Corporate Risk Management Group (Members)
- Operational Risk Management Group (Officers)
- Business Continuity Management representatives
- All departments and Service Heads

2.8 The diagram at **Appendix B** has been drawn up to help demonstrate Bury Council's risk management processes, illustrating strategic and operational planning across the authority, also the delivery of service and the movement and reporting of risks associated with these two key risk drivers within each of the departments.

3.0 DEPARTMENTAL PROGRESS 2014/15

3.2 Children, Young People & Culture

2014/15 managed high risks focused upon;

- Budget constraints following large scale reductions
- Loss of experience following VER/Mutual Settlement
- Capacity to deliver services
- Impact of Academies
- Children & Young People in care
- Safeguarding mechanisms

Despite some success during 2014/15, the department is still highlighting a number concerns reflected by the final quarters result. Individual Departmental Risk Registers are available on request.

3.3 Communities & Wellbeing

2014/15 managed high risks focused upon;

- Competition with other service providers
- Business Continuity Management
- Sickness absence levels
- High cost packages relating to Children's transition cases
- Reducing budgets faced with increasing demands
- Self Directed Support costs
- Investment in assets and infrastructure
- Data Protection
- Increase in judicial reviews
- Growing demands from increasing population
- Asylum Seekers
- Ineffective partnership working across public sector organisations
- Market failure/capacity and ability to facilitate new types of social enterprise

Despite some success during 2014/15 with managing these risks, the department is still highlighting a number of concerns reflected by the final quarters risk review. Individual Departmental Risk Registers are available on request.

3.4 Resources & Regulation

2014/15 focussed on a number of high risks, these include:

- Equal Pay and potential liability
- Responding effectively to significant funding reductions
- Effective financial planning to take account of national policy
- Asset management
- Resident expectations
- Changes to Council Tax benefit
- Changes resulting from the wider welfare reform agenda and its impact
- Public sector reform and its impact

Owing to the nature and wider impact of these risks on public service they are also reflected within the Corporate Risk Register.

4.0 CORPORATE RISKS

4.1 The Corporate Risk Assessment Action Plan records all risks posing the most serious threat to the Council, risks that would impact upon a wider range of services and that are not able to be managed effectively within a directorate. These risks are reviewed continually by the Strategic Leadership Team – both through quarterly reviews, and as agenda items in their own right. The Corporate Risk Register takes account of risk management activity taking place across departments allowing for the transfer of high risk and also of known future risk.

4.2 Member input is sought throughout the year via the Corporate Risk Management Group, and quarterly reports to the Audit Committee.

- 4.3 The table overleaf tracks the status of corporate risks throughout 2014/15.
- 4.4 The table at **Appendix C** aligns the Council's most significant risks as at 31st March 15 against the Councils' Priorities and Team Bury Ambitions.

Corporate Risk Register January 2014 – March 2015

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 15	Measures
01	The <u>potential</u> liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	Tracy Murphy	1	1	1	1	1	1	Risk remains low as most cases have now been settled. To remain on register till exercise complete.
02	There is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces.	Steve Kenyon	3	4	9	9	9	12	<p>The Council received the final 2015/16 settlement information in February 2015, this was broadly as expected.</p> <p>Bury's reduction was higher than the national average, whilst funding per head is lower. Response to consultation submitted outlining this.</p> <p>Clarity about the 2016/17 settlement is unlikely to be until the Spending Review / Summer Budget later in 2015 following the General Election. MTFS to be updated at this point.</p> <p>Likelihood score raised from 3 to 4 to reflect level of uncertainty in Government funding.</p>

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 15	Measures
3	The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	Steve Kenyon	3	2	6	6	6	6	<p>The Medium term financial strategy is a live document that is regularly updated to take account of known national changes. This helps to inform financial forecasts and projections over the medium term.</p> <p>The Council has a good understanding of its cost base and pressures through robust budget monitoring, Star Chamber and Scrutiny processes.</p>
04	The budget strategy does not reflect, or respond to, national policy developments, e.g. Council Tax Support scheme and changes to the Business Rates regime	Steve Kenyon	4	2	8	8	8	8	New arrangements have been in place now for nearly 2 years, however, risk remains high given volatility, and influence from factors which are beyond the control of the Council (e.g. appeals).
05	The Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use of assets presents both a financial and a performance risk.	Alex Holland	2	2	2	2	4	4	The asset management strategy has been approved and will consider the usage and cost of all assets; taking appropriate action where necessary; e.g. invest, change of use, or disposal.

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 15	Measures
08	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	3	6	6	6	9	<p>Programme of Budget consultations has taken place throughout the borough at Township Forums. A letter from the Leader has also been sent out to inform residents about the level of uncertainty that remains with the impact of current and future financial cuts.</p> <p>Likelihood risk raised from 2 to 3 to reflect uncertainty of funding going forward.</p>
09	The Government's changes to Council Tax Benefit impact adversely upon the Public / Vulnerable People. Also budgetary risk to the Council in the event of claimant numbers rise	Claire Jenkins	3	3	9	9	9	9	Impact on residents being managed through Welfare Reform Board. Budgetary impact continues to be assessed through monthly monitoring / Star Chamber process.
10	Changes resulting from the wider Welfare reform agenda impact adversely upon the public / vulnerable people.	Claire Jenkins	3	3	9	9	9	9	<p>Welfare Reform Board coordinating action plan with partner organisations (e.g. Six Town, CAB).</p> <p>Whilst impact on individuals can have significant implications, this is being mitigated where possible.</p>

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 15	Measures
11	That the scale and pace of Public Sector reform impacts adversely upon key Council Services, compounded by the loss of capacity following staff leaving the Council (420+ since 2010)	Mike Owen	4	2	8	8	8	8	<p>The Workforce Development Plan is in place, the mutual settlement scheme has been launched, and individual service workforce plans are being developed to ensure continuity / succession planning.</p> <p>Loss of capacity / experience remains a major concern.</p> <p>Risk will be closely monitored as the Council-wide restructure takes effect, and further voluntary retirements take effect.</p>

5.0 CHALLENGES FOR 2015/16

5.1 The challenge for the coming year will be to ensure risk and business continuity management form an integral part of the council's response to continued spending reductions, ensuring threats and opportunities to service provision is managed effectively and service resilience is maintained throughout.

5.2 The following areas will be our main priority for 2015/16:

- Ensuring risk and business continuity management forms an integral part of service planning, performance and the delivery of objectives in light of increased agile working and public service reforms.
- Ensuring a smooth continued operation of the new Authority structure (3 departments)
- Building upon the work started by Strategic Leadership Team where key corporate risks are considered in depth alongside the quarterly review process.
- Continuing to raise Member involvement in risk management and business continuity.
- Maintaining the Business Continuity Planning Database to ensure it maintains good quality information relating to service priorities and their continuity arrangements.
- Continuing to strengthen risk management arrangements in key strategies such as the Medium Term Financial Strategy, the Workforce Development Strategy, the Asset Management Strategy, and the Plan for Change.
- Continuing the development of risk reporting and monitoring processes.
- Strengthening risk management arrangements at operational level and with partnership arrangements.
- Ensure risk management focus is widened to better understand, manage and take advantage of opportunity risk as well as managing potential risk threats
- Benchmarking with other public and private sector organisations
- Strengthen service resilience against disruption through effective risk and business continuity management.
- Establishing a framework for Business Continuity Management across partnership activity
- Aligning the quarterly reporting of risk, performance and the Council's financial position.
- Proactively responding to the risks, challenges and opportunities presented by the GM devolution agenda, and ensuring Bury interests are safeguarded

6.0 CONCLUSIONS

Considerable progress continues to be made in the area of risk management and in embedding the approach to risk management into the authority's processes and culture. However there is no room for complacency and this subject will continue to be given significant attention over the coming twelve months.

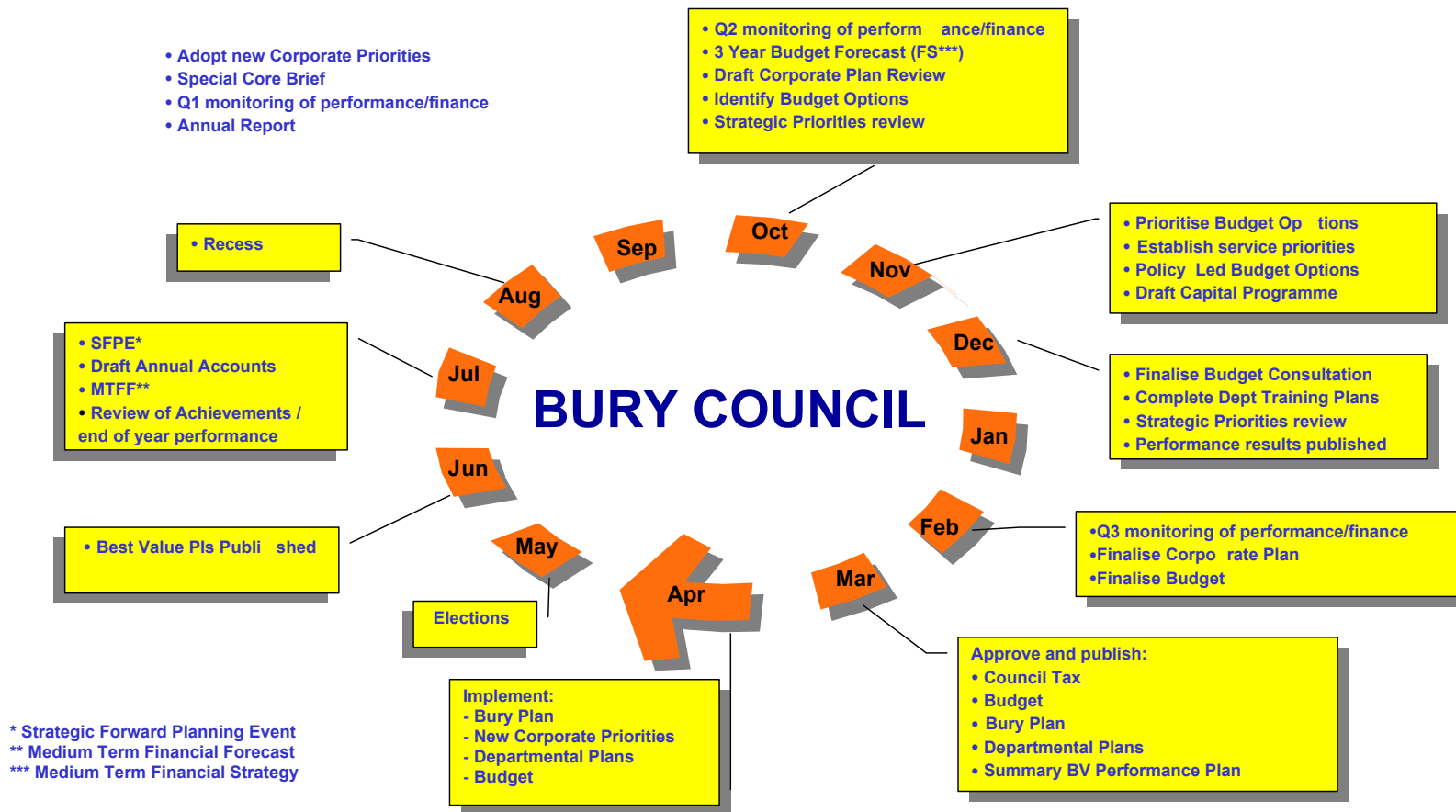
Background documents:

Risk Management Policy, toolkit & risk registers - maintained on Intranet.

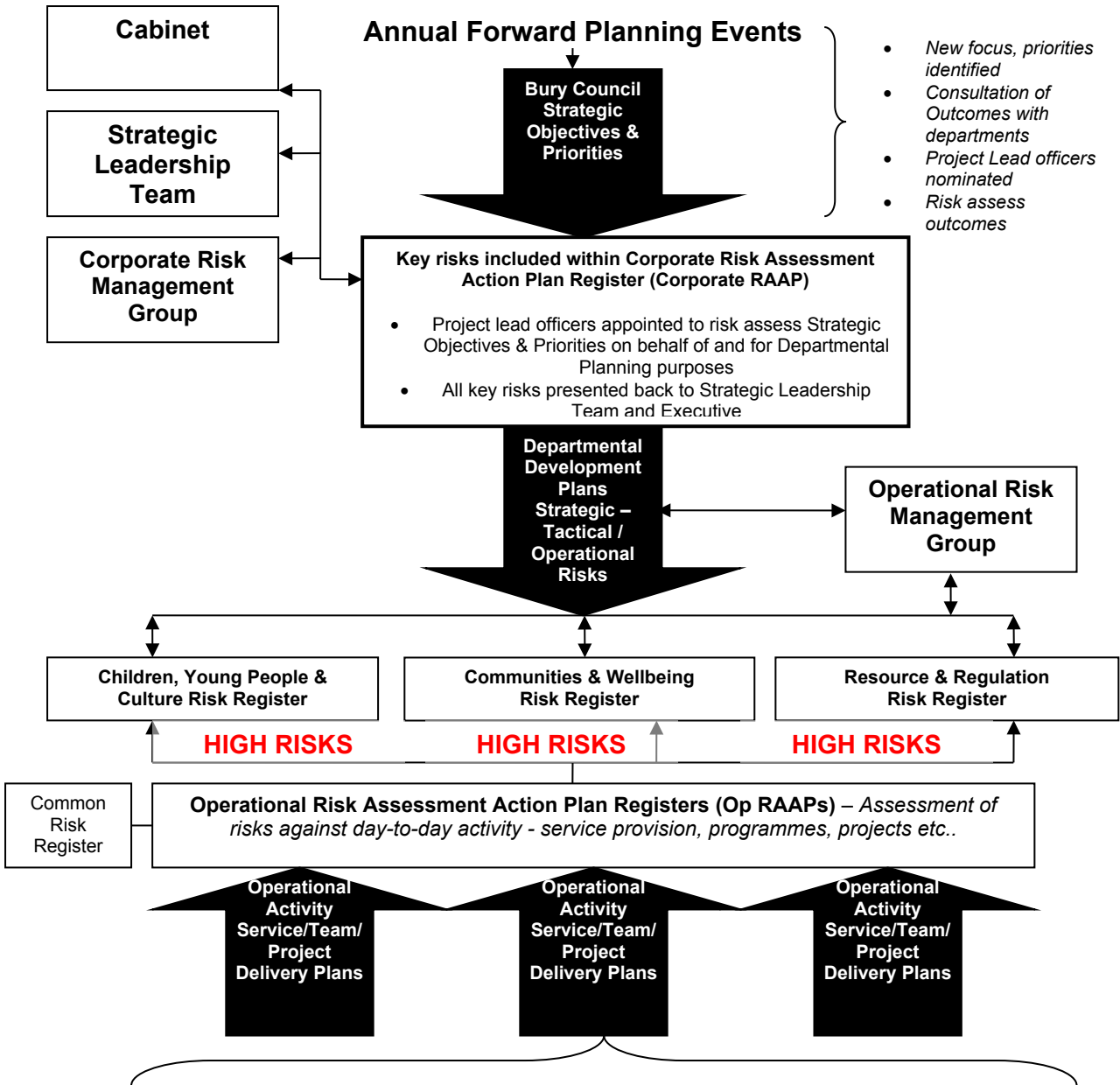
For further information on the contents of this report, please contact:

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FINANCIAL AND CORPORATE PLANNING CYCLE



APPENDIX B



Risks Internal & External Environment

External Drivers			
Financial	Strategic	Operational	Hazards
Interest Rates Credit	Competition Customer Change Industry change Customer Demand Political Change	Regulations Culture	Contractual Events Natural events Supply Chains Environmental
Internal Drivers			
Liquidity Cash Flow	Research Development	Accounting Information Systems	Employees Public Access Properties Products/Services

APPENDIX C

The Council's Corporate Risks if not managed effectively will impact upon key strategic objectives of Team Bury and the Council. The table below provides a summary of where corporate risk threats and opportunities are currently impacting:

Corporate Risks	Risk Score	Council Priorities						Team Bury Ambitions									
		Cleaner, Safer, Greener	Choice of Quality Housing	Improved Cultural & Sporting Opportunities	Strengthened Communities	Fit for the Future	Improved Town Centres & Neighbourhoods	Promoting Healthier Living	The Place to Live in Greater Manchester	Area where People feel Safe & Secure	Healthiest Borough in the North West	Popular Visitor Destination	Premier Retail Town	Centre of Excellence for Education & Training	Each Township Thriving	Area with First Class Services	Quality Jobs for Bury People
The <u>potential</u> liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
There is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces.	12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	6	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Corporate Risks	Risk Score	Council Priorities						Team Bury Ambitions								
		Cleaner, Safer, Greener	Choice of Quality Housing	Improved Cultural & Sporting Opportunities	Strengthened Communities	Fit for the Future	Improved Town Centres & Neighbourhoods	Promoting Healthier Living	The Place to Live in Greater Manchester	Area where People feel Safe & Secure	Healthiest Borough in the North West	Popular Visitor Destination	Premier Retail Town	Centre of Excellence for Education & Training	Each Township Thriving	Area with First Class Services
The budget strategy does not reflect, or respond to, national policy developments, e.g. Council Tax Support scheme and changes to the Business Rates regime	8	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use of assets presents both a financial and a performance risk.	4	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The Government's changes to Council Tax Benefit impact adversely upon the Public / Vulnerable People. Also budgetary risk to the Council in the event of claimant numbers rise	9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Corporate Risks	Risk Score	Council Priorities						Team Bury Ambitions									
		Cleaner, Safer, Greener	Choice of Quality Housing	Improved Cultural & Sporting Opportunities	Strengthened Communities	Fit for the Future	Improved Town Centres & Neighbourhoods	Promoting Healthier Living	The Place to Live in Greater Manchester	Area where People feel Safe & Secure	Healthiest Borough in the North West	Popular Visitor Destination	Premier Retail Town	Centre of Excellence for Education & Training	Each Township Thriving	Area with First Class Services	Quality Jobs for Bury People
Changes resulting from the wider Welfare reform agenda impact adversely upon the public / vulnerable people.	9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
That the scale and pace of Public Sector reform impacts adversely upon key Council Services, compounded by the loss of capacity following staff leaving the Council (420+ since 2010)	8	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓