

REPORT FOR DECISION

MEETINGS: **Audit Committee**

DATE: **19 July 2016 - Audit Committee**

SUBJECT: **Risk Management Annual Report 2015/16**

REPORT FROM: **Councillor Jane Lewis; Deputy Leader of the Council and Cabinet Member for Finance & Human Resources**

CONTACT OFFICER: **David Hipkiss, Risk & 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 2015/16 and actions planned for 2016/17.

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:

There are no direct resource implications arising from this report.

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.

Corporate, departmental and operational risk assessments have been undertaken and key elements of the resultant Management Action Plans are incorporated into Departmental Service Plans.

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| 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 |
|--|-------------------------|--------------|----------|
| 20 June 2016 | | | |
| Overview & Scrutiny | Committee | Cabinet | Council |
| | Audit 19 July 2016 | | |

1.0 BACKGROUND AND RISK PRIORITIES DURING 2015/16

- 1.1 The Council's Risk Management Policy and Strategy is reviewed annually.
- 1.2 The Council has continued to experience reduced funding, and increased demand for services, and responded to this for 2015/16 through its "Vision, Purpose & Values" which were recognised in the 2015/16 budget.
- 1.3 A number of challenges were presented to the Council during 2015/16 where effective business continuity and emergency response planning played a significant role in preventing disruption to the public and service continuity.
- 1.4 The floods experienced across the Borough on Boxing Day 2016 highlight the need for services to be resilient and responsive. Despite the floods having a devastating impact for residents and businesses, Council services responded to the challenge and the Council played a key role in the wider community response.

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.
- 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 Team Bury and the Council's Corporate 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;

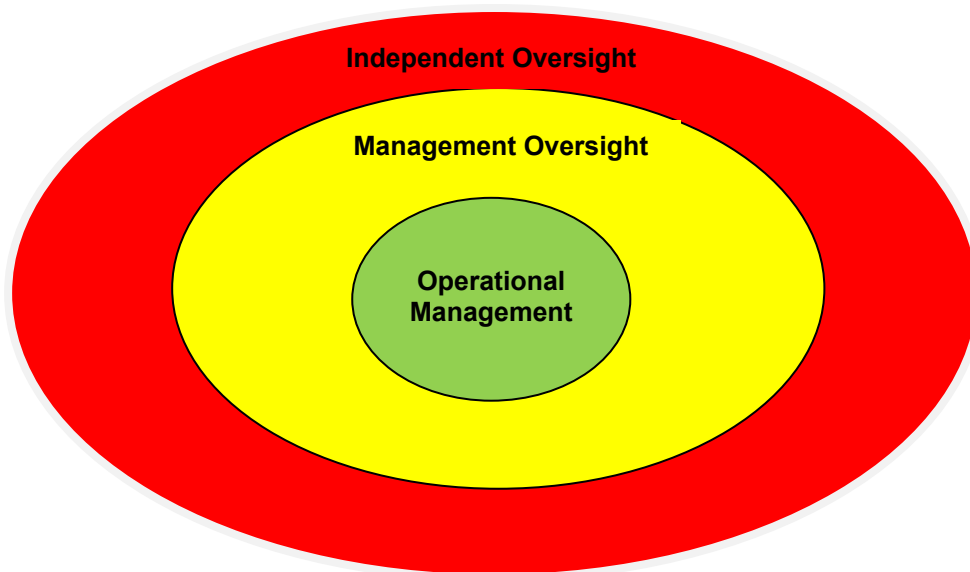
- An approved Corporate Policy & Strategy for Risk Management that is available online.
- The Policy details the Council's approach to managing risk and proposes a "Risk Assurance Mapping" approach focussing on three key lines of defence that enable direct input, strategic overview and scrutiny at all levels from officers, senior management, governance groups and independent review bodies.

These three lines of defence ensure:

Effective Operational Management – Defence Level 1 - Having clear lines of responsibility/ownership, clear and accessible risk reporting and communication lines, up to date policies, procedures, guidance and training material and having in place a consistent approach to assessing and managing risk across the Council.

A clear management oversight – Defence Level 2 - That is clear about the risk management framework and actively taking place, oversees and manage risk both at strategic and operational levels.

Independent internal audit and scrutiny – Defence Level 3 – Actively engaged, involved and challenging current working practices at all levels having direct access at operational, senior management and governing team levels.



- Key strategic and corporate governing groups are actively engaged in the risk management process to ensure an objective review of the effectiveness of risk management and internal control both at strategic and operational level;
 - Senior Leadership Team (Senior Officers of the Council)
 - Corporate Risk Management Group (Member Level)
 - Operational Risk Management Group (Officer Level)
 - Governance Panel comprising:
 - Interim Executive Director of Resources & Regulation
 - Assistant Director for Legal & Democratic Services
 - Head of Financial Management

- The Risk Management Framework is supported by up to date guidance and training material, accessible to all staff:
 - 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 alongside but independent from Internal Audit
 - A working in Partnership Risk Assessment Model (PRAM) that provides a platform to manage risk working with other partners/organisations.

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 A** 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 2015/16

3.1 Children, Young People & Culture

2015/16 managed high risks focused upon;

- Budget constraints following large scale funding reductions
- Capacity to deliver services
- Impact of Academies
- Children & Young People in care
- Safeguarding mechanisms

Despite some success during 2015/16, the department is still highlighting a number concerns reflected in the final quarter result. Individual Departmental Risk Registers are available on request.

3.2 Communities & Wellbeing

2015/16 managed high risks focused upon;

- High cost packages relating to Children's transition cases
- Reducing budgets faced with increasing demands

- Investment in assets and infrastructure
- Commissioning functions CCG and Bury Council
- Data Protection
- Increase in judicial reviews
- Deprivation of Liberties Legislation
- Growing demands from increasing population
- Public Health Funding
- Increase in referrals for Mental Health
- Ineffective partnership working across public sector organisations
- Market failure/capacity and ability to facilitate new types of social enterprise
- Affordable housing units

Despite some success during 2015/16 with managing these risks, the department is still highlighting a number of concerns reflected in the final quarter risk review. Individual Departmental Risk Registers are available on request.

3.3 Resources & Regulation

2015/16 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
- Opportunities presented by the GM Devolution Agenda and wider Public Service Reform

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 within a single 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 2015/16, and also the perceived level of risk following intervention / mitigation measures.

Corporate Risk Register - April 2015 – March 2016 (Full Year)

| Ref | Risk that..... | Risk Owner | Impact | Likelihood | Quarter 1 Status | Quarter 2 Status | Quarter 3 Status | Quarter 4 Status | Measures | 2015/16 Risk Outcome |
|-----|--|--------------|--------|------------|------------------|------------------|------------------|------------------|---|---|
| 01 | That 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 | <p>Risk remains low as most cases have now been settled. To remain on register till exercise complete.</p> <p>Provision continues to be made in the Council's assessment of available balances.</p> | The remaining risk is considered to be low, with most cases addressed, and financial provision in place. |
| 02 | That there is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces. | Steve Kenyon | 4 | 3 | 12 | 16 | 12 | 12 | <p>The Council has a "live" Medium Term Financial Strategy (MTFS) covering the period to 2016/17.</p> <p>Details of the 2016/17 funding settlement now confirmed; including indicative 4 year figures.</p> <p>Final Settlement figures confirmed – minor change in respect of Transition Funding.</p> <p>MTFS now being refreshed</p> | Despite the risk remaining high, the Council's financial performance continues to be strong, with a minor underspend reported for 2015/16, and a robust balance sheet |

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| 03 | That the budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes | Steve Kenyon | 3 | 3 | 6 | 9 | 9 | 9 | <p>The Council has a good understanding of its cost base and pressures through robust budget monitoring, Star Chamber and Scrutiny processes.</p> <p>The overall scale of cuts required for 2016/17 and beyond will present significant challenges; coupled with demand / demographic pressures.</p> <p>This will be addressed through a combined approach of growth and reform.</p> | A balanced budget is in place for 2016/17, which enables the Council to deliver on its "Vision, Purpose & Values". |
| 04 | That 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 | 3 | 8 | 8 | 8 | 12 | <p>New arrangements have been in place now for over 2 years, however, risk remains high given volatility, and influence from factors which are beyond the control of the Council (e.g. appeals).</p> <p>Uncertainty around the operation of full business rates retention (by 2020) sees this risk escalate.</p> | The minor underspend on the 2015/16 budget highlights these risks were effectively managed in 2015/16. |
| 05 | That the Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use | Alex Holland | 2 | 1 | 4 | 2 | 2 | 2 | <p>The Asset Management Strategy has been approved and is considering the usage and cost of all assets; taking appropriate action where necessary; e.g. invest, change of use, or disposal.</p> | The Council continues to successfully rationalise its asset base in line with the overall Asset Management Strategy |

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| | of assets presents both a financial and a performance risk. | | | | | | | | The Council has now completed 3 investment property acquisitions in line with its approved "Property Investment Strategy". Rationalisation of office accommodation is continuing and a number of surplus sites have now been disposed of. | |
| 08a | That the Council fails to manage the expectations of residents and stakeholders in light of funding reductions | Mike Owen | 3 | 3 | 9 | 12 | 9 | 9 | The Council has a well defined process for consultation and engaging with residents and stakeholders. A programme of Budget consultations has now taken place throughout the Borough at Township Forums for 2016/17. The dialogue with residents needs to continue throughout the year | The Council has engaged actively with residents in setting its 2016/17 budget. This will be repeated as proposals for 2017/18 and beyond are developed |
| 08b | That residents, service users and other stakeholders do not adapt to changes to service provision, e.g. behavioural change. | Mike Owen | 4 | 3 | 9 | 12 | 12 | 12 | Behaviour change e.g. self care, early intervention is key to managing demand. The Council is promoting this through many channels, however the impact needs to be monitored. | Many of the 2015/16 budget proposals were reliant upon behavior change; whilst these challenges continue, the 2015/16 outturn indicates that the Council is having success in achieving this. |

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| 09 | That 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 | 12 | 9 | 9 | <p>The impact on residents is being managed through the Council's Welfare Reform Board.</p> <p>Budgetary impact continues to be assessed through monthly monitoring / Star Chamber process.</p> | The Council's locally devised Council Tax Support scheme is mitigating these risks, and (at current levels) is affordable within the overall Council budget |
| 10 | That changes resulting from the wider Welfare reform agenda impact adversely upon the public / vulnerable people. | Claire Jenkins | 4 | 3 | 9 | 12 | 12 | 12 | <p>Announcements in the Chancellor's Budget have the potential to raise the impact of Welfare Reforms / Changes to Tax Credits; the risk has been escalated to reflect this</p> <p>The Council's Welfare Reform Board is coordinating an action plan with partner organisations (e.g. Six Town, CAB).</p> | Whilst these risks cannot be eliminated (National Government Policy), they are being mitigated through the work of the Welfare Reform Board |
| 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 | 3 | 2 | 8 | 8 | 8 | 6 | <p>The Workforce Development Plan is in place, and services are developing workforce plans to ensure continuity / succession planning.</p> <p>Loss of capacity / experience remains a major concern and will continue to be closely monitored.</p> <p>A number of key HR strategies e.g. Talent Management, and Workforce Wellbeing have now received Cabinet approval.</p> | <p>Despite funding reductions, and service pressures, the Council continues to secure national recognition of its strong performance.</p> <p>The recent OFSTED review of Childrens Services confirms that services are resilient.</p> <p>Key HR policies are approved and now being implemented.</p> |

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| 12 | That the Council fails to build on the opportunities presented by the GM Devolution Agenda, and wider Public Service Reform | Mike Owen | 4 | 1 | 4 | 4 | 4 | 4 | <p>The Council plays a key role at AGMA level with the Leader and Chief Executive leading on a number of workstreams e.g. Police & Crime.</p> <p>Locally, the approach to Devolution / Reform is led by the Chief Executive through the Bury Wider Leadership Team (WLT)</p> <p>Robust plans are in place to ensure the Council builds on the opportunities of devolution and mitigates any risks.</p> | <p>The Leader and Chief Executive play a key role in the development of GM wide devolution proposals.</p> <p>Partnership working within Bury is strong.</p> |
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5.0 CHALLENGES FOR 2016/17

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 funding reductions, ensuring threats and opportunities to service provision are managed effectively and service resilience is maintained throughout.

5.2 The following areas will be our main priority for 2016/17:

- Ensuring risk and business continuity management forms an integral part of service planning, performance and the delivery of objectives in light of public service reforms.
- Further developing the "Risk Assurance Mapping" approach and building this into quarterly risk management reporting.
- 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 Council's "Vision, Purpose & Values".
- 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
- 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:

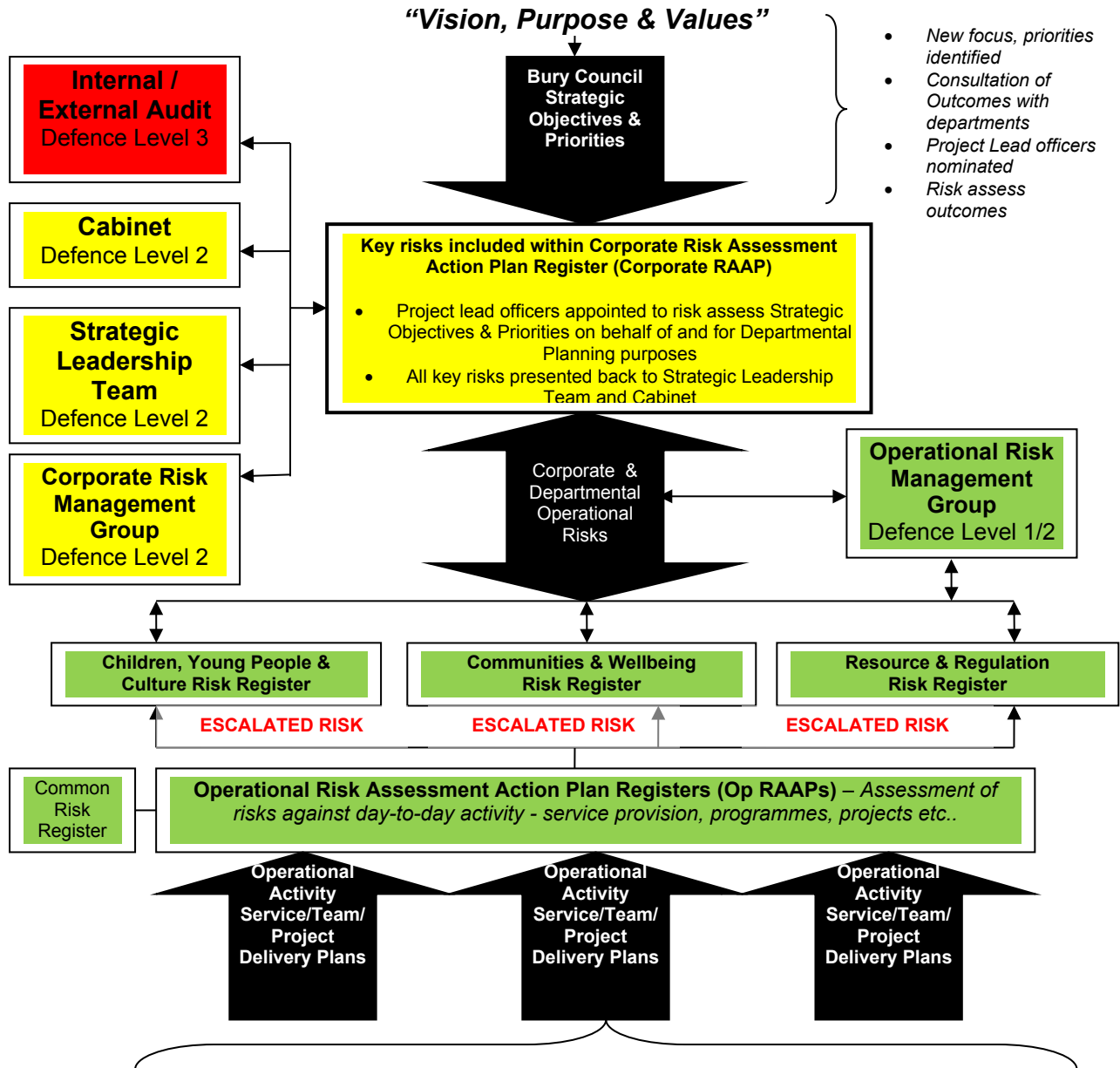
Risk Management Policy, toolkit & risk registers - maintained online.

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

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APPENDIX A



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 |

