

# REPORT FOR DECISION

**MEETINGS:** Strategic Leadership Team  
Audit Committee  
Cabinet  
Council

**DATE:** 17<sup>th</sup> July 2017

**SUBJECT:** Risk Management Annual Report 2016/17

**REPORT FROM:** Councillor Eamonn O'Brien - Cabinet Member for  
Finance & Housing

**CONTACT OFFICER:** David Hipkiss, Risk & Governance Manager

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**TYPE OF DECISION:** COUNCIL - KEY DECISION

**FREEDOM OF  
INFORMATION/STATUS:** This paper is within the public domain

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**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 2016/17 and actions planned for 2017/18.

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## IMPLICATIONS:

<b>Corporate Aims/Policy Framework:</b>	Do the proposals accord with the Policy Framework? <b>Yes</b>
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<b>Financial Implications and Risk Considerations:</b>	See Executive Director of Resources & Regulation comment below
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<b>Statement by Executive Director of Resources:</b>	There are no direct resource implications arising from this report.
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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.

<b>Equality/Diversity implications:</b>	No
<b>Considered by Monitoring Officer:</b>	Yes (Governance Panel)
<b>Are there any legal implications?</b>	No
<b>Staffing/ICT/Property:</b>	There are no direct HR, IT or property implications arising from this report.
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	Overview & Scrutiny

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#### TRACKING/PROCESS

#### DIRECTOR:

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Audit Committee	Partners
		18 <sup>th</sup> September 217	
Overview & Scrutiny	Councillors	Cabinet	Council
		18 <sup>th</sup> October 2017	29 <sup>th</sup> November 2017

## **1.0 BACKGROUND AND RISK PRIORITIES DURING 2016/17**

- 1.1 The Cabinet approved the Council's Risk Management Policy and Strategy in March 2006 which is reviewed annually.

### **Risk Priorities 2016/17**

- 1.2 The Council continued to experience reduced lack of funding, and increased demand for services, and responded to this through its "Plan for Change".
- 1.3 A number of challenges were presented to the Council during 2016/17 where effective business continuity and emergency response planning played a significant role in preventing disruption to the public and service continuity.
- On Boxing Day 2015, widespread floods were experienced across the Borough; this involved considerable damage, loss of structures and flooding of numerous properties. In addition to the significant human impact upon residents and local businesses, the Council faces a financial burden in respect of reinstatement, and recovery / clean up.
  - The Council has continued to seek to recover costs in 2016/17 under the "Bellwin Scheme" and through wider Government support. The Bellwin scheme operates like an insurance policy, whereby the Council would be required to pay an "excess" amounting to approximately £250,000 before support is available.
  - Discussions are ongoing with the Government in respect of wider infrastructure losses; damage to bridges, parks, and the Council's Housing Stock.

## **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.***

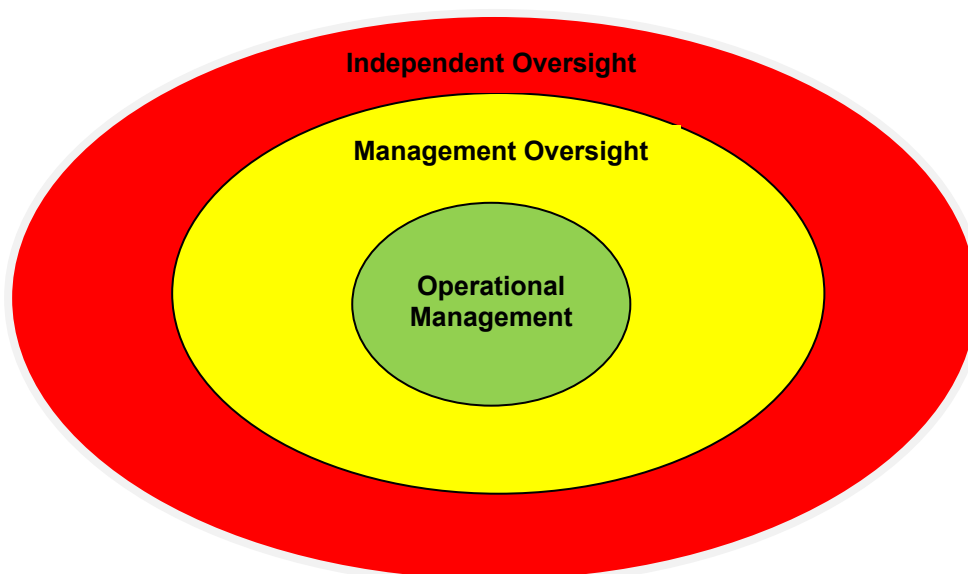
- 2.4 Risk Assessment Action Plan Registers (RAAP's) are used across departments to record identified risks and opportunities, and actions being taken. RAAP Registers as they are referred to throughout this report are used at all levels throughout the Council to record information and help manage Corporate, 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 can be read online or downloaded
  - A Corporate Policy & Strategy that details the Council's approach to managing risk focussing on three key lines of defence that enables 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 that are actively engaged in the risk management process 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:
    - 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 from Strategic Finance 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

2.7 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 2016/17**

#### **3.2 Children, Young People & Culture**

2016/17 managed high risks focused upon;

- Demand pressures on available resources
- Budget constraints following large scale reductions
- Capacity to deliver services
- Legal challenges and reputational risks
- School roles changing – System Leadership Model

- Changing Government Legislation
- Impact of Academies
- Children & Young People in care
- Safeguarding mechanisms

Despite some success during 2016/17, 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

2016/17 managed high risks focused upon;

- High cost packages relating to Children's transition cases
- Reducing budgets faced with increasing demands
- Lack of growth investment
- Cuts in Public Health Budgets
- Sickness and absence
- Alignment of commissioning functions
- Changes in legislation
- Growing demands – increasing population
- Safeguarding
- Change in service provision
- Changes in welfare reform
- Lease costs
- Partnership working

Despite some success during 2016/17 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

2016/17 focussed on a number of high risks, these include:

- Responding effectively to significant funding reductions
- Ongoing welfare reforms
- Acadamisation of schools
- Brexit
- Changes to Business Rates Retention Scheme
- Resident expectations
- 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.

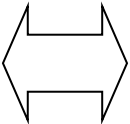
## **4.0 CORPORATE RISKS**

- 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 effectively within a directorate. These risks are reviewed continually by the Strategic Leadership Team – both through quarterly reviews, and as agenda items

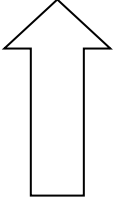
in their own right. The Corporate Risk Register takes account of risk management activity taking place across departments allowing for the transfer of high risk and also of known future risk.

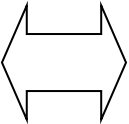
- 4.2 Member input is sought throughout the year via the Corporate Risk Management Group, and quarterly reports to the Audit Committee.
- 4.3 The table overleaf tracks the status of corporate risks throughout 2016/17.

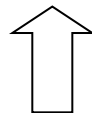
**BURY COUNCIL**  
**Corporate Risk Register 2016/17 – as at 31<sup>st</sup> March 2017**

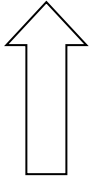
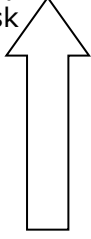
Risk	Risk Owner	Raw Risk Score				Target Risk Score	Mitigation Measures / Assurance Levels			Risk Conclusion	Residual Risk Score				Direction of Travel
		Likelihood	Impact	Proximity	Score		Level 1	Level 2	Level 3		Likelihood	Impact	Proximity	Score	
The Council doesn't agree a balanced budget	Cabinet / SLT	4	4	4	64	LOW	<p>The Council has a 4 year financial forecast covering 2016/17 to 2019/20 in line with the Government's 4 year funding offer.</p> <p>Budget options have now been approved (Feb 17) covering a 3 year period, recognising the lead in times for the development of options.</p>	<p>Budget options validated by the Councils Strategic Leadership Team, and through regular meetings with Portfolio Holders.</p> <p>Budget proposals were considered by the Overview &amp; Scrutiny Committee prior to approval.</p>	External Audit Opinion on VFM / Financial Standing	Manage	1	4	4	16	<p>No Change</p> 

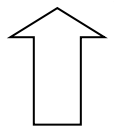
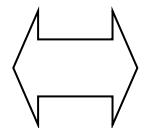
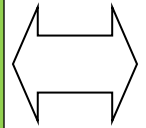


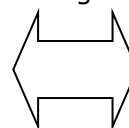
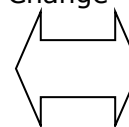
The Council cannot deliver cuts approved in the budget	Cabinet / SLT	4	4	4	64	LOW	<p>Once approved, cuts need to be delivered.</p> <p>Robust budget monitoring procedures are in place, given early warning of potential pressures.</p> <p>2016/17 in year monitoring highlighted the challenges of delivering continuous budget cuts with reduced organisational capacity.</p> <p>Control measures in place to mitigate overspend pressures where possible.</p> <p>Forecast is improving, however pressures still remain; Month 9 position showing +£2.8m (was +£6.4m)</p>	<p>Budget monitoring reports are considered every month by SLT, and reported quarterly to Cabinet.</p> <p>SLT and the Cabinet meet regularly to discuss progress with the in year budget.</p> <p>Monitoring reports are also considered quarterly at;</p> <ul style="list-style-type: none"> <li>• SLT / Cabinet</li> <li>• Overview &amp; Scrutiny</li> <li>• Audit Cttee</li> </ul> <p>Increasingly considering "Invest to Save" options.</p> <p>Additional resources available for Adult Social Care – via precept &amp; Government</p>	External Audit Opinion on VFM / Financial Standing.	Manage	4	4	4	64	<p>Previously 48</p> <p>Increased to reflect challenge of delivering continuous budget cuts</p> 
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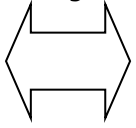
Resilience and capacity of services is jeopardised by ongoing funding reductions	SLT	4	4	4	6 4	LOW	<p>Budget options consider operational impact, and are subject to separate risk assessments.</p> <p>The Council undertakes workforce planning to ensure the right staff are in place, with the right skills at the time needed.</p> <p>Recruitment &amp; Retention of staff presents a challenge in some service areas.</p>	<p>Business continuity plans exist for all services</p> <p>The Council received minimal transition funding from the Government compared to other GM authorities.</p> <p>The Council has access to transformation funding under GM Health &amp; Social Care arrangements</p>	<p>External Audit Opinion on VFM / Financial Standing</p> <p>External reviews, e.g. OFSTED / CQC</p>	Manage	3	4	4	48	<p>No Change</p> 
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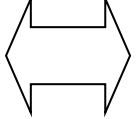
Changes to the Business Rates Retention scheme (100%) impact adversely on the Council – e.g. appeals	Cabinet Member for Finance & HR / Interim Executive Director of Resources & Regulation	3	4	4	48	LOW	<p>The Council makes “in year” provision for the impact of appeals when estimating yield (NNDR1), and also makes provision within the annual revenue budget.</p> <p>In addition, the Council holds a reserve to fund the backdating (i.e. one-off) effect of appeals.</p> <p>Risk of appeals is heightened under 100% retention (although protection for 2017/18 pilot); also likely to be increased incidence of appeals in light of 2017 revaluation</p> <p>Impact of business failure also increases, however mitigated through work of Business Engagement Team</p>	<p>The Council maintains an active dialogue with the Valuation Office Agency to ensure that appeals are dealt with in a timely manner.</p> <p>The Council participates in the GM Collection Fund Accounting Group</p>	The Council’s External Auditors review the Council’s Collection Fund, and Appeals Provisions as part of the annual audit process.	Manage	3	4	4	48	<p>Previously 36</p> <p>Risk increased to reflect 2017 revaluation</p> 
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Ongoing Welfare Reforms place additional pressure on both residents and the Council	Cabinet Member for Strategic Housing & Support Services / Interim Executive Director of Resources & Regulation	4	4	4	64	LOW	<p>Regular monitoring of the impact of reforms is undertaken.</p> <p>Increased risk due to revised CTS scheme, and increased Council Tax (necessary to fund Adult Social Care)</p> <p>Increasing reliance on 3<sup>rd</sup> Sector, which itself faces funding reductions</p> <p>Concerns over security of employment and uncertain economic outlook</p>	The impact of reforms is reported through the Welfare Reform Board.	There is close liaison with Partner organisations, e.g. CAB, Six Town Housing to assess and mitigate the impact of reforms.	Manage	4	4	4	64	<p>Previously 36</p> <p>Risk increased to reflect range of reforms now underway.</p> 
Ongoing academisation of schools impacts upon income levels for traded services	Cabinet Member for Children & Families / Executive Director of Children, Young People & Culture	3	4	3	36	LOW	<p>Traded services are currently undergoing a comprehensive review to assess the impact of academy conversions.</p> <p>Requires more proactive management as risk of schools not buying-back increases</p>	<p>The Council has a good relationship with schools, and a high level of buy-back.</p> <p>Where possible, and viable, services will continue to be traded to schools that undergo academy conversion.</p>	The relationship with schools is managed proactively through the Schools Forum.	Manage	3	4	3	36	<p>Previously 18</p> <p>Increased to reflect buy-back risk</p> 

Unknown implications of the Brexit referendum impact adversely upon the Council	Cabinet / SLT	4	4	4	6 4	MED IUM	The most significant risk is the uncertainty of the implications of Brexit – notably economic conditions.  Potential impact on the pound, inflation, and impact upon Bury businesses	The Council makes use of external brokers (Capita) who offer advice on economic conditions and the Council's Treasury Management.	Other professional networks are utilised, e.g. GM Treasurers Group	Accept	4	4	4	64	Previously <del>48</del>  Risk increased to reflect level of uncertainty 
The Council is unable to manage customer / resident demands and expectations in the light of funding reductions	Cabinet / SLT	4	4	3	4 8	LOW	The Council has previously written to all residents advising them of the impact of funding reductions.  Further communication required e.g. resident briefings	Public meetings are held each year as part of the budget consultation process.	The role of elected members is critical as they provide an interface between residents and the Council	Manage	3	4	3	36	No change 
The Council's growth strategy is impeded by external influences, e.g. economic conditions	Leader / Chief Executive	3	4	3	3 6	LOW	The Council has a clear Growth Strategy in place  GMSF will present opportunities for growth, however also create competition between Boroughs  Economic uncertainty may stifle growth.	This has been agreed at both Council and Partner level (Bury Wider Leadership Group).	The Council actively promotes development opportunities nationally, and engages with GM activity to promote the region.	Manage	2	3	3	18	No change 

Population growth and age profile lead to service demands exceeding Council capacity / resources.	Cabinet / SLT	4	4	3	48	LOW	<p>The Council has adopted the Social Care Precept (2016/17) to channel additional resources to pressures in Adult Social Care.</p> <p>Continuing pressures in the NHS will impact upon the Council's services</p> <p>Further funding for Social Care now made available</p> <p>Complexity and long term nature of conditions an increasing pressure</p> <p>Fragile market of care providers</p>	A number of initiatives are in place aimed at early intervention, and self care e.g. reablement, wellbeing service	<p>Close working takes place with partners in the CCG and key providers to mitigate demand pressures.</p> <p>Development of LCO / OCO working model</p>	Manage	4	4	4	64	<p>No Change</p> 
Ability to maintain core statutory functions e.g. safeguarding is impeded by funding reductions.	Cabinet / SLT	2	4	3	24	LOW	<p>The budget setting process reflects the statutory nature of some services when allocating cuts targets</p> <p>Additional resources now available for Adult Social Care</p>	Directors prioritise spend to ensure statutory obligations are fulfilled – this is done through the Cash ceiling / virement scheme.	<p>External Audit Opinion on VFM / Financial Standing</p> <p>External reviews, e.g. OFSTED / CQC</p>	Manage	2	4	3	24	<p>No Change</p> 

Health & Social Care integration does not reform services and deliver required efficiency savings	Cabinet Member for Health & Wellbeing / Executive Director of Communities & Wellbeing	3	4	4	4 8	LOW	<p>The Council and CCG work closely together and operate pooled budgets in some areas (Better Care Fund).</p> <p>The Council and CCG management teams meet jointly on a regular basis.</p> <p>Capacity to develop arrangements is a risk, however the Council will access transformation funding to mitigate this</p>	<p>The Council is working towards development of a single commissioning organisation (OCO); this is expected to be in place by April 2017.</p> <p>Similarly, it is proposed to operate a Local Care Organisation (LCO) from April 2017.</p>	Partnership working takes place at a higher "North East Sector" level with Oldham and Rochdale Councils, recognising the broader footprint of key providers (Pennine Care & Acute).	Manage	3	4	4	4 8	<p>No Change</p> 
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GM approach to devolution does not reform services and deliver required efficiency savings	Leader / Chief Executive	2	4	3	2 4	LOW	<p>The Council is an equal partner in AGMA, and engages actively through regular GM meetings at officer level.</p> <p>Risk that reform takes place at the pace of the slowest partner</p> <p>Risk that Bury's low cost base rises to average GM levels</p> <p>Need to ensure democratic / governance processes preserve local accountability</p> <p>Election of Mayor to take place in 1<sup>st</sup> quarter of 2017/18</p>	This is supplemented by a comprehensive schedule of meetings at member level.	The Leader and Chief Executive lead on the Crime and Justice workstream.	Manage	3	4	4	4 8	<p>No change</p> 
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## 5.0 CHALLENGES FOR 2017/18

- 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 Economic conditions continue to have an adverse impact on income levels in Departments, notably Resources & Regulation (Property and parking fees). The risk is recognised in the assessment of the minimum level of balances and will continue to be closely monitored throughout 2017/18.
- 5.3 Budgets in respect of Children's Social Care remain under pressure in the light of the increased emphasis on child protection nationally. Likewise, pressures remain in Adult Care Services in respect of an increasing elderly population and Learning Disability care packages. Controls are in place to ensure appropriate care packages are provided, and improved procurement activity ensures these are obtained at competitive rates. This situation will continue to be closely monitored during 2017/18.
- The Council faced two significant changes to the structure of Local Government Finance that took effect from April 2013 - the localisation of Council Tax Benefit and changes to the system for Business Rates. These challenges were once again addressed in setting the 2017/18 budget and monitoring / reporting arrangements are in place to track progress through the year.
  - Significant numbers of staff continue to leave the Council under the Voluntary Early Retirement (VER) and Mutual Settlement scheme where a business case can be proven. It is essential that standards of governance and internal control are maintained going forward. This will be a key focus for the work of Internal Audit in 2017/18.
- 5.3 The following areas will be our main priority for 2017/18:
- 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.
  - 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.
- 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.

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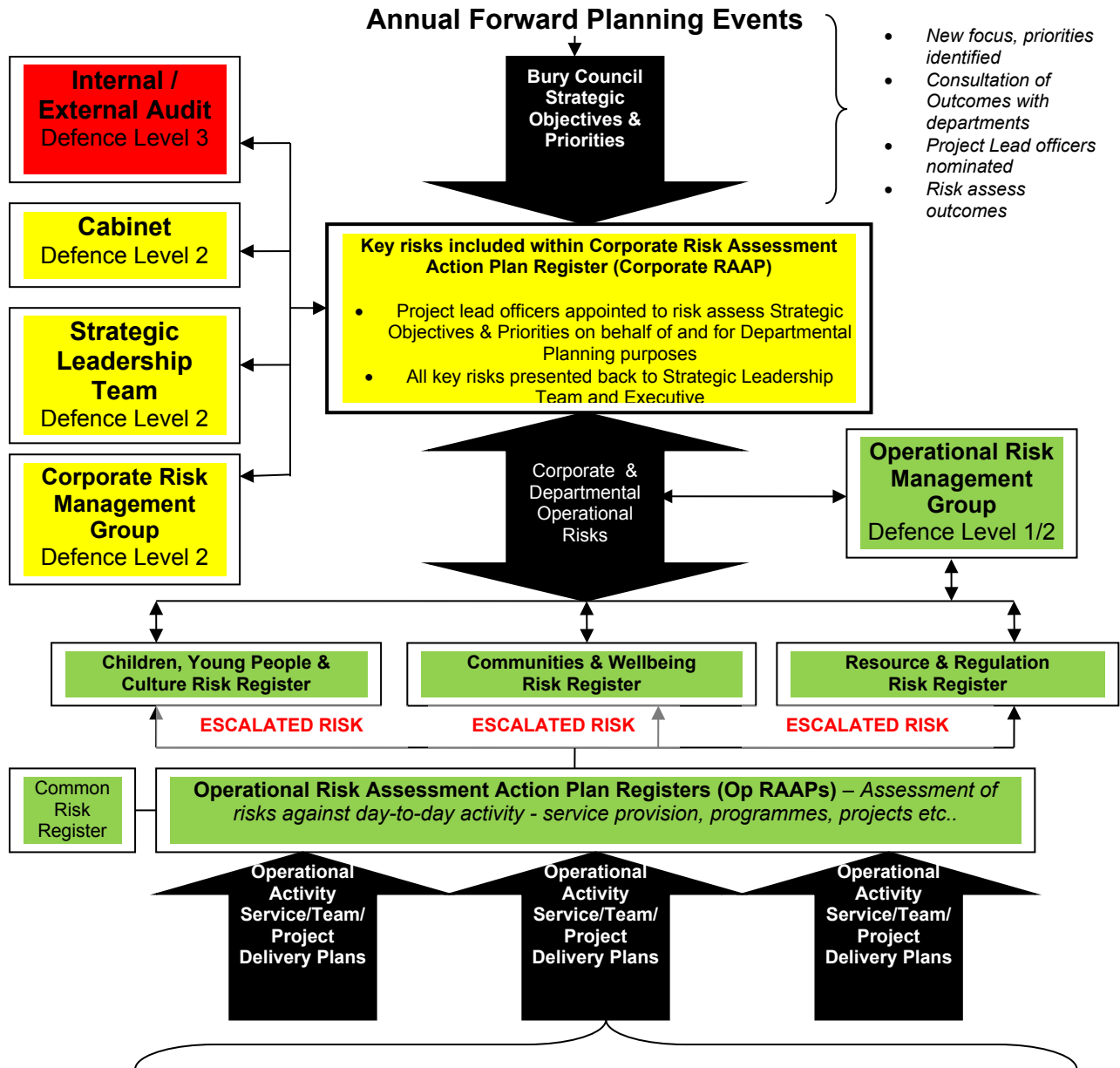
### **Background documents:**

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

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

David Hipkiss, Risk and Information Governance Manager  
Tel: 0161 253 6677      e-mail: [D.Hipkiss@bury.gov.uk](mailto:D.Hipkiss@bury.gov.uk)

## APPENDIX A



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

