REPORT FOR DECISION

Agenda Item	

MEETINGS: Audit Committee
Cabinet
Council

DATE: 20th September 2018

SUBJECT: Risk Management Annual Report 2017/18

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

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 2017/18 and actions planned for 2018/19.

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.

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	Audit Committee	Partners
		20th September 2018	
Overview & Scrutiny	Councillors	Cabinet	Council
		14th November 2018	28th November 2018

1.0 BACKGROUND AND RISK PRIORITIES DURING 2017/18

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

Risk Priorities 2017/18

1.2 The Council continued to experience reduced funding, and increased demand for services, both placing pressure on the Council's budget, and regularly reported to Cabinet, Scrutiny, and Audit Committee.

1.3 An ongoing review of all the Council's Corporate and Service Business Continuity Plans including the Council's organisational structures that support these plans.

1.4 Understanding the implications and preparing as much in advance of the new Data Protection Legislation (GDPR) coming into force May 2018.

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.

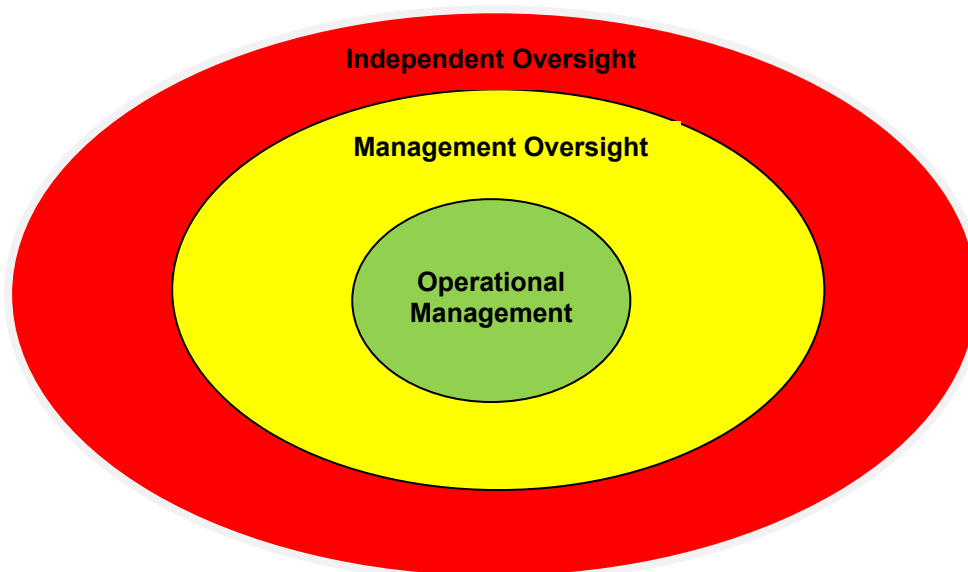2.6 The Council's risk management framework is outlined in summary below;

- 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.

Independent Oversight

Management Oversight

Operational Management

- 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:

- o Comprehensive Intranet Risk Management Website and Toolkit
- o Corporate Risk / Opportunity Assessment Action Plan Register
- o Departmental Strategic Risk Assessment Action Plan Registers
- o Operational Risk Assessment Action Plan Registers – held by service managers and maintained as part of the day to day management of service provision
- o A Common Risk Register (General good practice guide)
- o Dedicated Risk Management Section – Operating from Strategic Finance alongside but independent from Internal Audit
- o 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 2017/18

3.2   Children, Young People & Culture

2017/18 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 2017/18, 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

2017/18 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
- Business Continuity
- Improve/re-develop skills mix
- Commissioning functions between CCG and Council
- IT development
- GDPR
- Subject Access Requests
- Freedom of Information Requests
- Changes in legislation
- Growing demands – increasing population
- Safeguarding
- Unoccupied buildings
- Health & Safety
- Changes in welfare reform and consequences
- Development of new types of social enterprise
- Target reviews and assessments not met

Despite some success during 2017/18 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 <u>Resources & Regulation</u>

2017/18 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
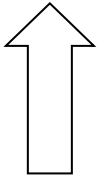- Opportunities presented by the GM Devolution Agenda and wider Public Service Reform

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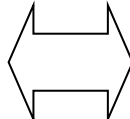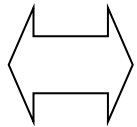
4.0 CORPORATE RISKS

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.
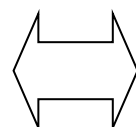
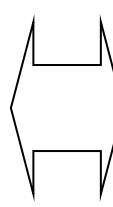4.3   The table overleaf tracks the status of corporate risks throughout 2017/18.

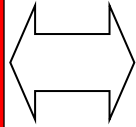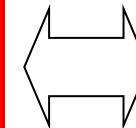## Corporate Risk Register 2017/18 – As at 31st March 2018

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	The Council has a 4 year financial forecast covering 2016/17 to 2019/20 in line with the Government's 4 year funding offer.\n\nBudget options have now been approved (Feb 17) covering a 3 year period, recognising the lead in times for the development of options.\n\nBudget forecasts will continue to be reviewed on a 12 month rolling forecast; or as new information come to light.	Budget options validated by the Councils Strategic Leadership Team, and through regular meetings with Portfolio Holders.\n\nBudget proposals were considered by the Overview & Scrutiny Committee prior to approval.\n\nCurrently no reliance being placed on reserves, however this is the second year an overspend is predicted.\n\nFuture years equally challenging.\n\nCouncil needs to consider alternative approaches to budget setting.	External Audit Opinion on VFM / Financial Standing	Manage	2	4	4	32	Risk increased from last quarter

| The Council cannot deliver cuts approved in the budget | Cabinet / SLT | 4 | 4 | 4 | 64 | LOW | Robust budget monitoring procedures are in place, given early warning of potential pressures.

Challenges of delivering continuous budget cuts with reduced organisational capacity.

Control measures in place to mitigate overspend pressures where possible.

Final outturn is an overspend of £844k. | Budget monitoring reports are considered every month by SLT, and reported quarterly to Cabinet.

SLT and the Cabinet meet regularly to discuss progress with the in year budget.

Monitoring reports consider a RAG rating for delivery of cuts

Finance Portfolio Holder now "calling in" specific business areas to investigate issues.

Monitoring reports are also considered quarterly at;

• SLT / Cabinet
• Overview & Scrutiny
• Audit Cttee

Increasingly considering "Invest to Save" options.

Additional resources available for Adult Social Care – via precept & Government | External Audit Opinion on VFM / Financial Standing. | Manage | 4 | 4 | 4 | 64 | No change to risk score |

Resilience and capacity of services is jeopardised by ongoing funding reductions	SLT	4	4	4	64	LOW	Budget options consider operational impact, and are subject to separate risk assessments. The Council undertakes workforce planning to ensure the right staff are in place, with the right skills at the time needed. Recruitment & Retention of staff presents a challenge in some service areas. There is a dedicated workstream looking at HR / OD as the Council moves to OCO / LCO operating arrangements with the NHS.	Business continuity plans exist for all services The Council received minimal transition funding from the Government compared to other GM authorities. The Council has access to transformation funding under GM Health & Social Care arrangements Greater use of interim placements to address time limited pressures / work tasks e.g. Growth / Regeneration and Traded Services	External Audit Opinion on VFM / Financial Standing External reviews, e.g. OFSTED / CQC Resident satisfaction levels	Manage	4	4	4	64	No change to risk score ⟺

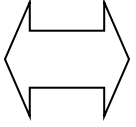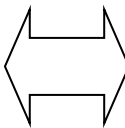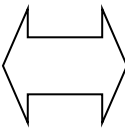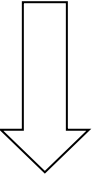| Changes to the Business Rates Retention scheme (100%) impact adversely on the Council – e.g. appeals	Cabinet Member for Finance & HR / Interim Executive Director of Resources & Regulation	3	4	4	48	LOW	The Council makes "in year" provision for the impact of appeals when estimating yield (NNDR1), and also makes provision within the annual revenue budget. In addition, the Council holds a reserve to fund the backdating (i.e. one-off) effect of appeals. 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 Impact of business failure also increases, however mitigated through work of Business Engagement Team	The Council maintains an active dialogue with the Valuation Office Agency to ensure that appeals are dealt with in a timely manner. The Council participates in the GM Collection Fund Accounting Group. Pilot exercise underway to tackle aged debt.	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	No change to risk score

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	Regular monitoring of the impact of reforms is undertaken. Increased risk due to revised CTS scheme, and increased Council Tax (necessary to fund Adult Social Care) Increasing reliance on 3rd Sector, which itself faces funding reductions Concerns over security of employment and uncertain economic outlook	The impact of reforms is reported through the Welfare Reform Board. The Council is currently updating its Poverty Strategy, and assessing how fuel poverty for Council tenants can be addressed The Cabinet has now endorsed an Anti-Poverty Strategy, and additional resources (£200k) have been allocated to address poverty related issues. The Council has endorsed a motion to develop a Young Savers scheme.	There is close liaison with Partner organisations, e.g. CAB, Six Town Housing to assess and mitigate the impact of reforms. The Council is an active member of the Manchester Credit Union.	Manage	4	4	4	64	No change to risk score

Risk	Owner						Controls			Action					Direction
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	Traded services are currently undergoing a comprehensive review to assess the impact of academy conversions. Requires more proactive management as risk of schools not buying-back increases Risk heightened by pressures on school budgets	The Council has a good relationship with schools, and a high level of buy-back. Where possible, and viable, services will continue to be traded to schools that undergo academy conversion.	The relationship with schools is managed proactively through the Schools Forum. Working group set up to explore further opportunities for providing competitive traded services Additional resources in place, and pricing offers sent to schools.	Manage	4	4	3	48	No change to risk score
Unknown implications of the Brexit referendum impact adversely upon the Council	Cabinet / SLT	4	4	4	64	MEDIUM	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 (Link) who offer advice on economic conditions and the Council's Treasury Management.	Other professional networks are utilised, e.g. GM Treasurers Group Regular "Brexit Monitors" are received from the GMCA	Accept	4	4	4	64	No change to risk score

13

| The Council is unable to manage customer / resident demands and expectations in the light of funding reductions | Cabinet / SLT | 4 | 4 | 3 | 48 | 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.

Public engagement necessary to move forward with Neighbourhood working models / contract with residents

Focus of Neighbourhood working model is to facilitate and empower residents and communities, and assist with capacity building. | The role of elected members is critical as they provide an interface between residents and the Council | Manage | 4 | 4 | 4 | 64 | No change to risk score ⟺ |
| The Council's growth strategy is impeded by external influences, e.g. economic conditions | Leader / Chief Executive | 3 | 4 | 3 | 36 | LOW | The Council has a clear Growth Strategy in place

GMSF timescales now revised to 2018

Economic uncertainty may stifle growth. | Growth Strategy has been agreed at both Council and Partner level (Bury Wider Leadership Group).

Second report to Cabinet – November 2017 outlining delivery plan.

Interim resource recruited (20 months) to oversee delivery of plan | The Council actively promotes development opportunities nationally, and engages with GM activity to promote the region.

Work is also taking place with employers and students through the Bury Skills Commission | Manage | 3 | 3 | 3 | 27 | No Change to risk score |

Population growth and age profile lead to service demands exceeding Council capacity / resources.	Cabinet / SLT	4	4	3	48	LOW	The Council has adopted the Social Care Precept (2017/18) to channel additional resources to pressures in Adult Social Care. Continuing pressures in the NHS will impact upon the Council's services Further funding for Social Care now made available Complexity and long term nature of conditions an increasing pressure Fragile market of care providers	A number of initiatives are in place aimed at early intervention, and self care e.g. reablement, wellbeing service The Bury Locality has secured £19m transformation funding to redesign care models Social Care demands have been clearly outlined in the Council's Fair Funding submission.	Close working takes place with partners in the CCG and key providers to mitigate demand pressures. Development of LCO / OCO working model	Manage	4	4	4	64	No Change to risk score

Risk	Owner						Controls 1	Controls 2	Controls 3	Response					Direction
Ability to maintain core functions (statutory & non-statutory) e.g. safeguarding is impeded by funding reductions.	Cabinet / SLT	2	4	3	24	LOW	The budget setting process reflects to a degree the statutory nature of services when allocating cuts targets

Further work needs to be undertaken to reflect prioritisation of resources

Additional resources now available for Adult Social Care

Narrative revised to reflect that both statutory and discretionary functions are now at risk. | Directors prioritise spend to ensure statutory obligations are fulfilled – this is done through the Cash ceiling / virement scheme. | External Audit Opinion on VFM / Financial Standing

Corporate Parenting / Health Scrutiny

External reviews, e.g. OFSTED / CQC – NB action plan being developed in light of recent OFSTED inspection. | Manage | 2 | 4 | 3 | 24 | No Change to risk score |
| 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 | 48 | LOW | The Council and CCG work closely together and operate pooled budgets in some areas (Better Care Fund).

The Council and CCG management teams meet jointly on a regular basis.

Capacity to develop arrangements is a risk, however the Bury Locality has now secured £19m transformation funding to mitigate this | The Council is working towards development of a single commissioning organisation (OCO); similarly, it is proposed to operate a Local Care Alliance (LCA) in shadow form from April 2018.

The Health integration project has clearly defined governance arrangements and its own project risk register | Partnership working takes across the broader Public Service footprint.

Requires a multi-agency approach to encourage behaviour change.

Staff of the Council and CCG are co-locating to aid joint working. | Manage | 3 | 4 | 4 | 48 | No Change to risk score |

GM approach to devolution does not reform services and deliver required efficiency savings	Leader / Chief Executive	2	4	3	24	LOW	The Council is an equal partner in AGMA / CA, and engages actively through regular GM meetings at officer level. Need to ensure democratic / governance processes preserve local accountability Need to look beyond Health & Social Care and examine where joint working can offer wider efficiencies	This is supplemented by a comprehensive schedule of meetings at member level. Mature joint working arrangements developed in respect of Health & Social Care Devolution Clear emerging roles around Transport, congestion and Air Quality	Elected Mayor now in place, with key positions held by Bury elected members	Manage	1	3	3	9	Risk Reduced

Risk Scoring Matrix

Likelihood	1 (low) – 4 (high)
Impact	1 (low) – 4 (high)
Proximity	1 (low) – 4 (high)
Maximum Score	4 x 4 x 4 = 64

Low Risk	0 - 20
Medium Risk	21 – 40
High Risk	41 - 64

5.0 **CHALLENGES FOR 2018/19**

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 are 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 2018/19.

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 2018/19.

5.3 The following areas will be our main priority for 2018/19:

- 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 the Council is fully compliant with all requirements of the new Data Protection Legislation
- 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 (Efficiency Plan), the Workforce Development Strategy, and the Asset Management Strategy.
- 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.
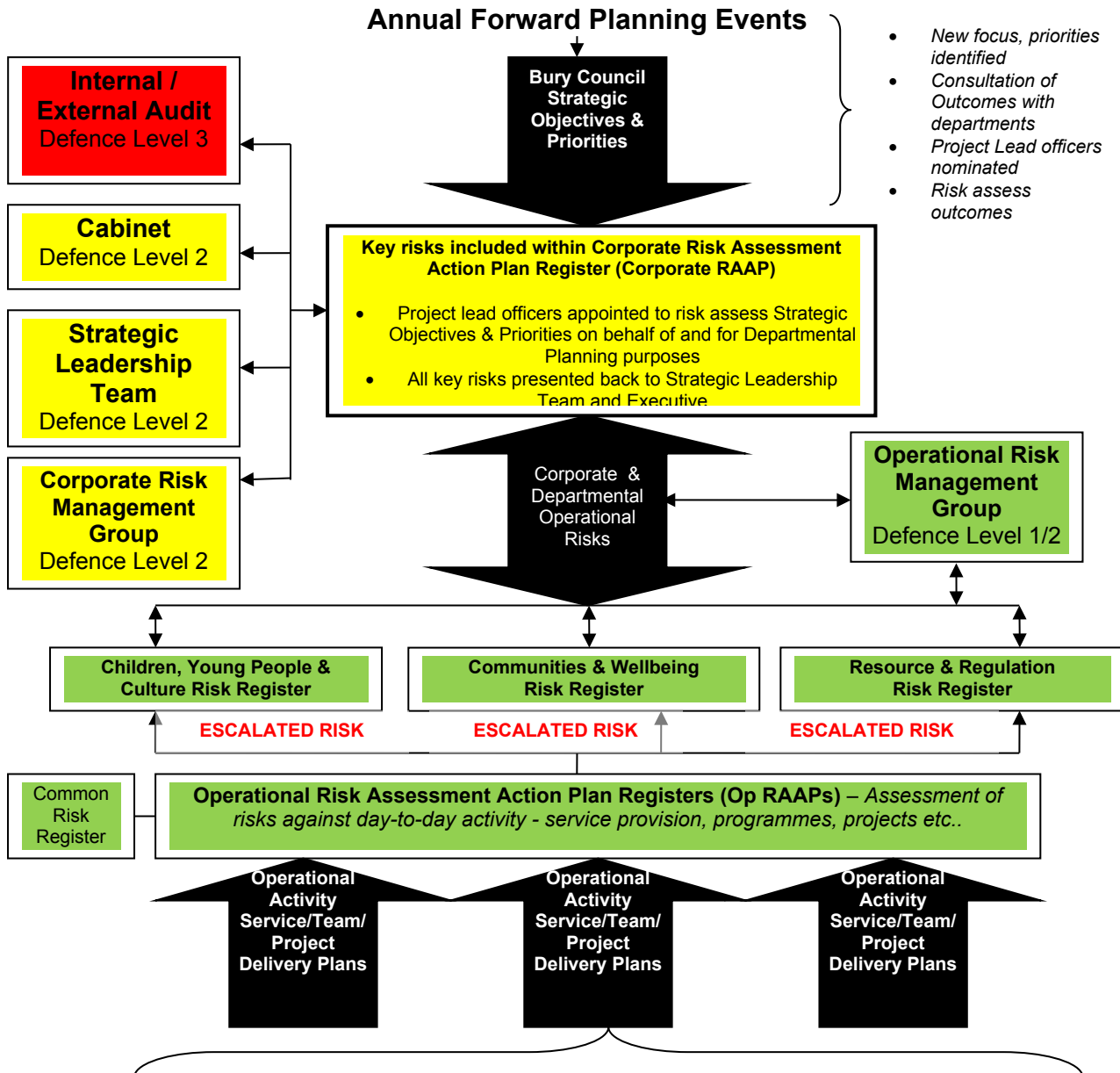

Background documents:

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

Annual Forward Planning Events

Bury Council Strategic Objectives & Priorities

- *New focus, priorities identified*
- *Consultation of Outcomes with departments*
- *Project Lead officers nominated*
- *Risk assess outcomes*

Internal / External Audit
Defence Level 3

Cabinet
Defence Level 2

Strategic Leadership Team
Defence Level 2

Corporate Risk Management Group
Defence Level 2

Key risks included within Corporate Risk Assessment Action Plan Register (Corporate RAAP)

- Project lead officers appointed to risk assess Strategic Objectives & Priorities on behalf of and for Departmental Planning purposes
- All key risks presented back to Strategic Leadership Team and Executive

Corporate & Departmental Operational Risks

Operational Risk Management Group
Defence Level 1/2

Children, Young People & Culture Risk Register

Communities & Wellbeing Risk Register

Resource & Regulation Risk Register

ESCALATED RISK   ESCALATED RISK   ESCALATED RISK

Common Risk Register

Operational Risk Assessment Action Plan Registers (Op RAAPs) – *Assessment of risks against day-to-day activity - service provision, programmes, projects etc..*

Operational Activity Service/Team/ Project Delivery Plans

Operational Activity Service/Team/ Project Delivery Plans

Operational Activity Service/Team/ Project Delivery Plans

Risks Internal & External Environment

External Drivers

Financial	Strategic	Operational	Hazards
Interest Rates	Competition	Regulations	Contractual Events
Credit	Customer Change	Culture	Natural events
	Industry change		Supply Chains
	Customer Demand		Environmental
	Political Change		

Internal Drivers

Financial	Strategic	Operational	Hazards
Liquidity	Research	Accounting	Employees
Cash Flow	Development	Information	Public Access
		Systems	Properties
			Products/Services