REPORT FOR DECISION

MEETINGS:	**AUDIT COMMITTEE** **CABINET** **COUNCIL**
DATE:	**15 JULY 2014** **16 JULY 2014** **10 SEPTEMBER 2014**
SUBJECT:	**RISK MANAGEMENT ANNUALREPORT 2013/14**
REPORT FROM:	**LEADER OF THE COUNCIL**
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 2013/14 and actions planned for 2014/15.

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	There are no direct resource implications

of Resources:	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	Ward Members	Partners
23rd June 2014			
Overview & Scrutiny	Committee	Cabinet	Council
	Audit 15th July 2014	16th July 2014	10th September 2014

1.0 BACKGROUND

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 2013/14 where risk management played a significant role in preventing disruption to service continuity.

1.3 The Council continued to experience cuts in resources, and responded to this through its "Plan for Change", achieving once again a slight underspend for the year.

1.4 Operationally, two of the four main administrative buildings were vacated to deliver savings in accommodation costs and further promote agile working. This was a major project involving staff from all disciplines.

1.5 2013/14 also saw the first year of operation of the Public Health function since its transfer from the NHS. This involved the transfer of staff and contracts, and has operated well for 2013/14.

1.6 In late 2013/14, the Council announced plans for an Authority restructure which saw the number of Departments to reduce from four to three with effect from April 2014. This will be a focus of risk management activity for the year ahead to ensure the operational transition runs smoothly.

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 2013/14

3.2 Childrens Services

2013/14 managed high risks focused upon;

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

- Safeguarding mechanisms

Despite some success during 2013/14, the department is still highlighting a number concerns reflected by the final quarters result. Individual Departmental Risk Registers are available on request.

3.3 Adult Care Services

2013/14 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
- Budgets not meeting demands
- Self Directed Support costs
- Data Protection
- Increase in judicial reviews
- Growing demands from increasing population
- Increasing safeguarding cases
- Market failure/capacity and ability to facilitate new types of social enterprise

Despite some success during 2013/14 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 Department for Communities & Neighbourhoods

2013/14 focussed on a number of high risks, these include:

- Securing, managing and monitoring town centre, regeneration and other development opportunities or developments
- Approval, publication and adoption of Core Strategy
- Continued need to improve recycling
- Workforce and Succession Planning
- Overspending on the revenue budget
- Ongoing budget pressures
- Successful implementation of the Corporate Asset Strategy
- Successful implementation of the Plan for Change saving options
- Investment in buildings, land, highways infrastructure and street lighting
- Robust health & safety procedures in place
- Partnership working
- Business growth for traded services
- Performance & Income Targets

Despite some success during 2013/14, the department is still highlighting a number concerns reflected by the final quarters result. Individual Departmental Risk Registers are available on request.

3.5 Chief Executive's

2013/14 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
- Localism Bill and its impact
- NHS Funding to manage Public Health Services
- Resident expectations
- Changes to Council Tax benefit
- Changes resulting from the wider welfare reform agenda 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 2013/14.

4.4 The table at **Appendix C** aligns the Council's most significant risks as at 31st March 14 against the Councils' Priorities and Team Bury Ambitions.

Corporate Risk Register – Year April 2013 – March 2014.

Ref	Risk that……	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
01	The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	Mike Owen / Guy Berry	1	1	2	2	2	1	Risk further reduced 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 over the next 3 years and beyond in order to ensure there is a sustainable and balanced budget	Steve Kenyon	3	3	6	6	8	9	2014/15 settlement data now confirmed; indicative allocations for 2015/16. Balanced budget is in place for 2014/15. Significant challenge remains for 2015/16 and beyond.
03	The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	Mike Owen/Steve Kenyon	3	2	6	6	8	6	Income pressures were largely addressed in 2013/14 budget. Demand pressures remain a risk and will continue to be monitored / managed through Star Chamber process. Month 9 monitor showing £85k overspend

Ref	Risk that…….	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
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	Mike Owen/Steve Kenyon	4	2	**12**	**12**	**12**	**8**	Risk reduced as new arrangements have been in place now for 12 months. 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.	Mike Owen	2	1	**6**	**6**	**4**	**2**	Asset Management Plan now in place; office accommodation moves took place Summer 2013; risk reduced further as new arrangements are working well in practice.
06	The Council needs to be prepared for the impact of the Localism Act; this presents both opportunities, e.g. power of competency & community right to challenge	Jayne Hammond			**2**	**2**	Risk Removed	Risk Removed	A process for dealing with applications has been approved by Cabinet; none received to date.
07	The amount of money received from the NHS to manage public health is insufficient to meet the performance outcomes expected by Government	Pat Jones-Greenhalgh	2	1	**6**	**6**	**4**	**2**	Settlement now received giving greater financial certainty; concerns around contractual performance now lessened as they have been under Council control for 12 months.

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
08	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	2	3	3	6	6	Widespread consultation took place re: Budget / Plan for Change. This will need to continue for the 2015/16 Budget process (and beyond)
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	Mike Owen	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 adversly upon the public / vulnerable people.	Mike Owen	3	3	9	9	9	9	Welfare Reform Board coordinating action plan with partner organizations (e.g. Six Town, CAB). Whilst impact on individuals can have significant implications, this is being mitigated where possible.

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	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 Kelly	4	2	**8**	**8**	**8**	**8**	Workforce Development Plan now in place to ensure continuity / succession planning. Risk will be closely monitored as the Council-wide restructure takes effect.

5.0 CHALLENGES FOR 2014/15

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 2014/15:

- 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 and managed transition to 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.

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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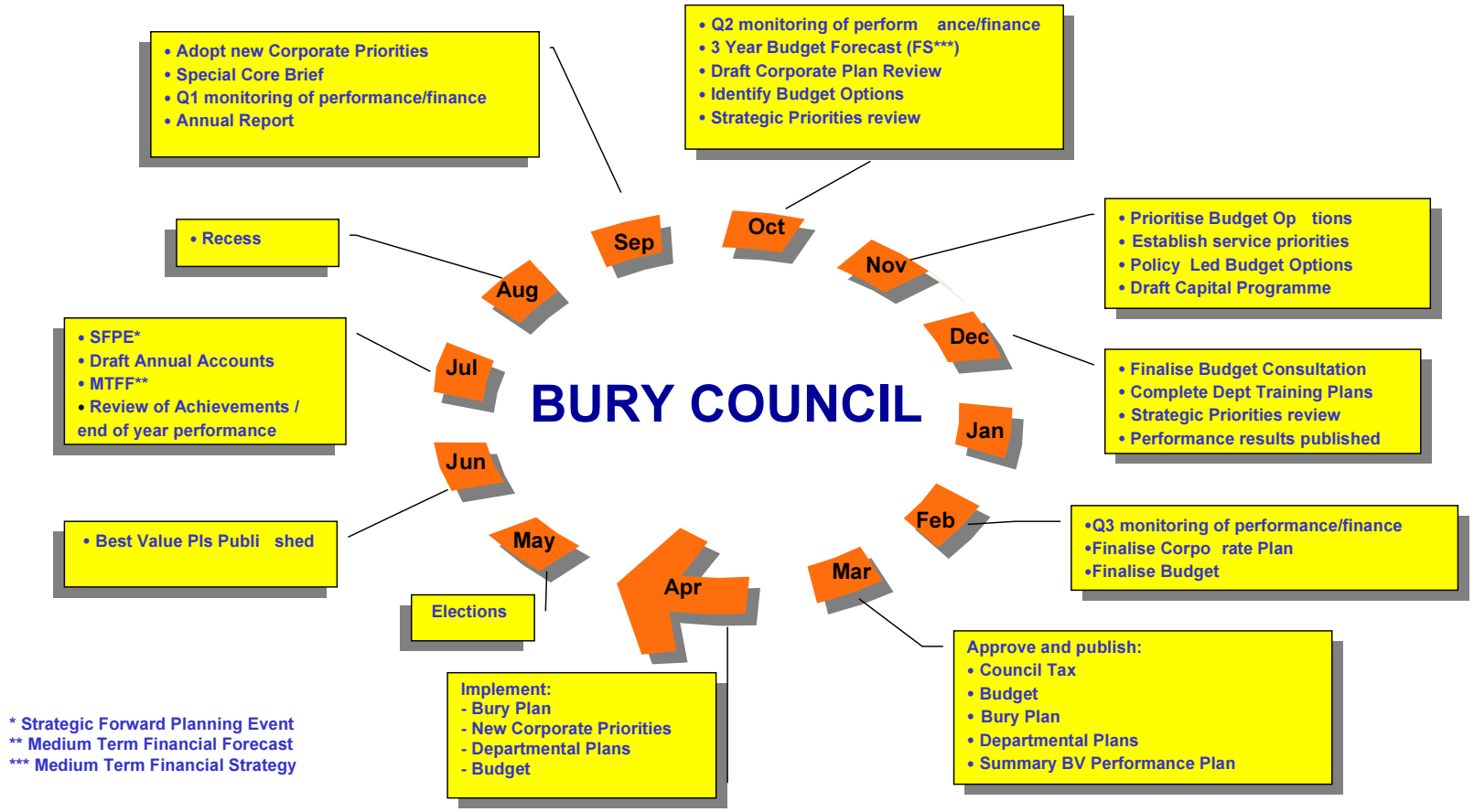
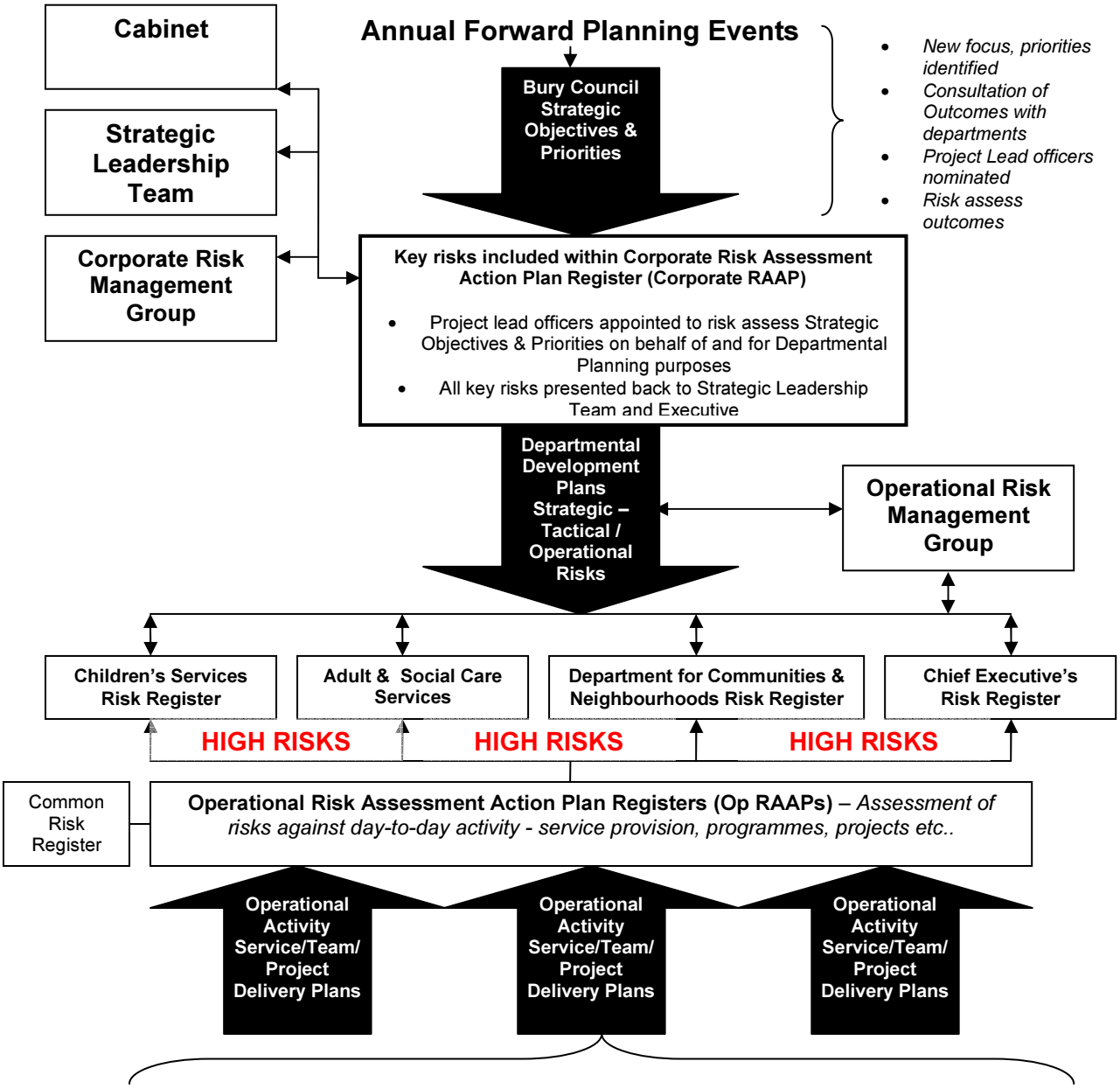
APPENDIX A

FINANCIAL AND CORPORATE PLANNING CYCLE



* Strategic Forward Planning Event
** Medium Term Financial Forecast
*** Medium Term Financial Strategy

APPENDIX B



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

Liquidity	Research	Accounting	Employees
Cash Flow	Development	Information	Public Access
		Systems	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 potential 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 over the next 3 years and beyond in order to ensure there is a sustainable and balanced budget	9																
The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	6																

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.	2																
The amount of money received from the NHS to manage public health is insufficient to meet the performance outcomes expected by Government	2																
The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	6																
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																
Changes resulting from the wider Welfare reform agenda impact adversly 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																