

# Audit Committee

26<sup>th</sup> July 2018



**Report of: Director Finance, S151**

**Title: Corporate Risk Management and Risk Register Update**

**Ward: Citywide**

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## **Recommendation**

The Audit Committee review and comment upon progress made on the Councils Risk Management arrangements and the Corporate Risk Report (CRR) Appendix A, as a source of assurance that risk management arrangements are in place and developing.

## **Summary**

This report presents the progress being made in embedding and maintaining risk management arrangements within Bristol City Council and the CRR summary report as at June 2018. Progress on Risk management arrangements and the CRR summary report will be presented to the Audit Committee quarterly going forwards.

## **The significant issues in the report are:**

- The CRR is an important tool in managing risk. It aims to provide an overview of the significant risks facing the council and how they are being managed. The CRR attached to this report at Appendix A is the latest formal iteration following a review by members of the council's Corporate Leadership Board (CLB) in June 2018. The risk review has included managers from across the Council.
- As strategic planning, resource management and resilience processes are strengthened; the identification, management and communication of risk to the achievement of the Council's strategic priorities and objectives will continue to embed.
- The Risk Management Policy will be subject to an annual review and reported on in 2018-19 and the output from the CRR will annually contribute to the annual Audit Plan.

## 1 Policy

The Accounts and Audit Regulations 2015 require the council to have in place effective arrangements for the management of risk. These arrangements are reviewed each year and reported as part of the Annual Governance Statement (AGS). The Council is required to comment on the effectiveness of its arrangements in this regard. The statement must also identify any significant governance issues that may have resulted from failures in governance and risk management.

Ensuring that the CRR is soundly based will help the council to ensure it is anticipating and managing key risks to optimise the achievement of the council's objectives and prioritise actions for managing those risks.

The CRR provides assurance to management and Members that the Bristol City Council's significant risks have been identified and arrangements are in place to manage those risks within the tolerance levels agreed.

The CRR is a management tool and needs regular review to ensure that the occurrence of obstacles or events that may put individual's safety at harm, impact upon service delivery and the council's reputation are minimised, opportunities are maximised and when risks happen, they are managed and communicated to minimise the impact.

Risk Registers are an important part of risk management, and the CRR has been prepared and presented in line with the Risk Management Policy that was considered by the Committee in September 2017 and was approved by Cabinet in December 2017.

## 2 Consultation

**Internal** - First to fourth tier managers, Extended Leadership Team, Corporate Leadership Team, Cabinet Member, Finance, Governance and Performance.

**External** - None

## 3 Context

### 3.1 Risk Management Framework

**3.1.1** Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the council achieving its priorities and objectives and a key element of the council's governance framework. The Annual Governance Statement (AGS) declaration for 2017-18 has highlighted a number of opportunities to enhance Risk Management. Areas for improvement include:

- Increasing the level of engagement and ownership by Service Managers.
- Enhancing the engagement of Members in the risk management process.
- Refreshing the Corporate and Directorate Risk Registers.
- Risk Management training and awareness.
- Risk Management within Business Case approvals, Project Management and Procurement Frameworks.
- Maintaining the focus of the process on reducing risk against the council's Corporate Plan 2018-23.

**3.1.2** An interim Risk Manager has been sourced to further embed Risk Management principles and practices within the council.

## 3.2 The Corporate Risk Register (CRR)

### 3.2.1 The Corporate Leadership Board (CLB) has reviewed the CRR in June 2018 and accepts it as a working register which will need continued improvement as it embeds.

The CRR sets out the significant critical and high rated risks. All other business risks reside on the Directorate Risk Registers.

The Corporate Risk Register (CRR) as June 2018 contains: No Critical risks, 12 high rated risks (pages 1 to 12), 5 medium risks (pages 13 and 17), and 1 high and 1 medium event risks (pages 18 to 19). A summary of the progress of risk for this reporting period is set out below.

### 3.2.2 There are seven improved risks this quarter:

- **CRR1 - Delivery of the long term commercial investments programme and major projects may require greater than anticipated capital investment:** which covers a number of commercial and asset investment requirements, and their potential impact on the council's finances, as identified in the budget report approved by Full Council in February 2018 improved from a 4x7 (28) critical risk to 3x7 (21) high risk. The Growth and Regeneration Board have reviewed the council's Capital Governance arrangements and established the Growth and Regeneration Board. The Board will provide oversight of delivery and management assurance to ensure ongoing improvement of the capital programme. This risk is managed and monitored on the Growth and Regeneration Risk Register.
- **CRR8 - Service Review:** If the organisation is not able to redesign its services quickly enough, a reduction in staffing levels and loss of experienced and skilled staff will have an impact on service delivery, and on remaining staff. This has improved from 4x5 (20) high risk to 3x5 (15) high risk. The senior management restructure is nearing completion and the external support from the Local Government Association (LGA) on the recruitment process has led to all roles being recruited against in the new leadership framework. This approach will be rolled out to the wider organisation as part of the performance and talent management refresh. There have been regular internal communications with staff, members and key stakeholders to keep everyone up to date with developments. The senior management restructures are scheduled for completion by end of July 2018. This risk is managed and monitored on the Resources Risk Register.
- **CRR12 - Civil Contingencies and Council Resilience:** If the City has a Major Incident, Contractor Failure or the council inadequately responds, then the impact of the event may be increased with a greater impact on people and businesses. This has improved from a 3x7 (21) high risk to 2x7 (14) high risk. Continual progress is being made on contingency plans, exercising working in partnership with the Avon and Somerset Local Resilience Forum (LRF) to enable Bristol to respond to significant events. This risk is managed and monitored on the Communities Risk Register.
- **CRR13 - Financial Framework & Medium Term Financial Planning:** Failure to reasonably estimate and agree the financial 'envelope' available, both annually and in the medium-term and the council is unable to set a balanced budget improved from 2x7 (14) high risk to 2x5 (10) medium risk. The council has developed a strong rolling Medium-term financial planning process and is working to ensure a rigorous structure exists to oversee the budgetary control process from budget setting through to monitoring, oversight & scrutiny. This risk is managed and monitored on the Resources Risk Register.

- **CRR14 - Information Governance:** Introduction of the General Data Protection Regulations (GDPR): The council has made significant progress on compliance with the General Data Protection Regulations (GDPR). The risk improved from 2x7 (14) high risk to 2x5 (10) medium risk. The next steps are to deliver a Business Case to the Statutory and Policy Board (SPB) in June 2018. This risk is managed and monitored on the Resources Risk Register.
- **CRR16 - Leadership:** If there is a lack of leadership or management skills then this could impact on performance and the ability to deliver positive change. The risk improved from 4x5 (20) high risk to 2x5 (10) medium risk. The council has made significant progress on the development of its leadership and management skills to help deliver positive change. This risk is managed and monitored on the Resources Risk Register.
- **CRR17- Strategy Management:** The council fails to produce or embed a Corporate Strategy with clear links through to business planning and performance management, resulting in less effective implementation of policy, use of resources and/or partnership working. The risk improved from 2x7(14) high to 1x7 (7) a medium risk. The council has made significant progress on the Strategy Management to help deliver BCC's Corporate Plan 2018-23. This risk is managed and monitored on the Resources Risk Register.

**3.2.3** The following risks have been revised this quarter:

- Safeguarding Vulnerable Children and Vulnerable Adults has been split into two risks:
  - CRR9: Safeguarding Vulnerable Children.
  - CRR10: Safeguarding Vulnerable Adults.
- Business Continuity and Civil Contingencies has been split into two risks:
  - CRR5: Business Continuity and Council's Resilience.
  - CRR12: Civil Contingency and Council's Resilience.

**3.2.4** The medium risks - Legal disputes and claims, self-insurance and the risk of claims to the council not being covered by the council's insurance policies; and Partnerships - in the current context of change, coupled with collective financial challenges, the effectiveness of partnership working may be jeopardised, previously reported in Q3. 2017/18 are managed and monitored on the Resources Directorate Risk Registers to manage and monitor.

**3.2.5** All identified risks have been reviewed in light of the revised scoring and will set the performance for future reviews. All risks on the CRR have management actions in place. The CRR will be subject to a refresh during 2018.

**3.2.6** As with all risks, it is not possible to eliminate the potential of failure entirely without significant financial and social costs. The challenge is to make every reasonable effort to mitigate and manage risks effectively, and where failure occurs, to learn and improve.

**3.2.7** Further details are contained in Appendix A.

#### 4 Proposal

The Audit Committee review and comment upon the draft Corporate Risk Register (CRR) as a source of assurance that risk management arrangements are in place.

#### 5 Other Options Considered

None necessary. Having robust risk management processes in place is a requirement of the City Council. The CRR has been developed in line with the new Risk Management Policy.

#### 6 Risk Assessment

The CRR will further develop risk management assessment within the City Council, and help the management of risk arrangements embed.

#### 7 Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
  - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
    - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
    - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
    - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
  - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
    - tackle prejudice; and
    - promote understanding.
- 8b) No equalities assessment necessary for this report.

## **8 Legal and Resource Implications**

Legal - N/A

Financial - N/A

Land - N/A

Personnel - N/A

## **9 Appendices:**

**Appendix A - Corporate Risk Register** - The summary of the risks are set out on pages 1 to 19 including controls and management actions, a summary of risk performance on page 20, the risk matrix on page 21 and the risk scoring criteria on page 22. A more in-depth risk register is available on request.

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

#### **Background Papers:**

Risk Management Policy