Report of: Director Finance, S151

Title: **Corporate Risk Management Arrangements and the Q3 Corporate Risk Report Update**

Ward: Citywide

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Recommendation

The Audit Committee review and comment on progress made on the Councils Risk Management arrangements, the revised Risk Management Assurance Policy Appendix A and the Corporate Risk Report (CRR) Appendix B, 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, the revised Risk Management Assurance Policy within Bristol City Council and the CRR summary report as at Dec 2018.

The significant issues in the report are:

- The Risk Management Assurance Policy has been reviewed and reported on to Cabinet January 2019.

- 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 December 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.

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.

Risk Management is an integral part of good governance to which the Council is committed. Risk Management provides the framework and processes that enables the Council to manage uncertainty in a systematic way. As part of the Risk Management arrangements the Council reviews the Risk Management Assurance Policy on an annual basis.

It is considered good practice to regularly review and update the Risk Management Assurance Policy to ensure it strengthens the Council's approach to its risk management and assurance arrangements.

Ensuring that the Corporate Risk Report (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 A Risk and Insurance Manager has been employed to further embed Risk Management principles and practices within the council.

3.2 The Risk Management Assurance Policy

3.2.1 The Risk Management Assurance Policy (Appendix A) has been reviewed and refreshed with the addition of introducing the following:
- Escalation of risks scoring 20 to 28 and core risks onto the Corporate Risk Report (the Corporate Risk Register)
- Corporate Risk Management Group (CRMG)
- Three lines of defence assurance model for the management of risk
- Maturity of risk management and other relevant detail to enhance its robustness

The policy has remained consistent in terms of its approach with the previous version and the risk appetite agreed by Cabinet in December 2017.

3.3 The Corporate Risk Register (CRR)

3.3.1 The Corporate Leadership Board (CLB) reviewed the CRR in December 2018 and accepts it as a working register report which will need continued improvement as it embeds.

The CRR (Appendix B) sets out the significant critical and high rated risks. All other business risks reside on the Directorate Risk Reports and Service Risk Registers.

The Corporate Risk Report (CRR) as December 2018 contains:

Threats	Opportunities	External / Contingency Risks
• No critical threats • 17 high rated • 6 medium • 4 new • 3 improving • 2 deteriorating • 2 closed	• 1 significant opportunity • 2 high • 1 medium • 2 improving	• 2 high threats • 1 deteriorating

A summary of the progress of risk for this reporting period is set out on the following pages.

There are four new threat risks this quarter:

- **CRR23 – Better Lives Programme –** The risk of failing to deliver the required outcome and savings from the Better Lives Programme. The risk rating being 2x7 (14) high risk. This risk is managed and monitored on the Adults, Children and Education Risk Register.

- **CRR23 – Procurement and contract Management Compliance.** Failure in the awarding and management of contracts with key suppliers of the Council leads to poor service performance and increased costs. The risk rating being 3x5 (15) high risk. This risk is managed and monitored on the Resources Risk Register.

- **CRR24: Suitability of Line of Business (LOB) systems:** The Councils reliance on legacy systems. The risk rating being 3x5 (15) high risk. This risk is managed and monitored on the Resources Risk Register.

- **CRR26 – ICT Resilience:** The Councils ability to deliver critical and key services in the event of ICT outages, and be able to recover in the event of system and/or data loss. The risk rating being 3x7 (21) high risk. This risk is managed and monitored on the Resources Risk Register.

3.3.2   **There are three improved risks this quarter:**

- **CRR5: Business Continuity and Councils Service Resilience.** If the council has a Business Continuity disruption and is unable to ensure the resilience of key BCC operations and business activities, then the impact of the event maybe increased with a greater impact on people and council Services. The risk rating being 3x5 (15) high risk. This risk is managed and monitored on the Resources Risk Register.

- **CRR8 - Service Review.** The risk that the organisation is not able to redesign its leadership team quickly enough, which may result in a reduction in staffing levels. The loss of experienced and skilled staff will have an impact on service delivery, and on remaining staff. The risk rating being 2x5 (10) medium risk. This risk is managed and monitored on the Resources Risk Register.

- **CRR15: Financial Deficit.** The council's financial position goes into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the council's reserves policy. The risk rating being 1x5 (5) medium risk. This risk is managed and monitored on the Resources Risk Register.

3.3.3   **There are two deteriorating threat risk :**

- **CRR7: Cyber-Security:** The Council's risk level in regards to Cyber-security is higher than should be expected.   The risk rating being 3x7 (21) high risk. This risk is managed and monitored on the Resources Risk Register.

  CRR21 – Information Governance: If the Council fails to maintain a defensible and compliant response to the Data Protection Act 2018 and General Data Protection Regulation (GDPR) then it will fail to fully comply with its statutory requirements. The risk rating being 3x5 (15) high risk. This risk is managed and monitored on the Resources Risk Register.

  There are two closed risk:

- **CRR2: IT Infrastructure:** IT Infrastructure does not meet service delivery requirements then there could be serious implications for the organisation and the people it serves. The risk has been replaced with 2 new risks CRR25: Suitability of Line of Business (LOB) systems and CRR26 ICT Resilience.

- **CRR20: Housing IT Programme 2018:** There is a risk that the Housing IT programme could be further delayed beyond the current go-live date of the September 2018. The risk rating improved to a 2x5 (10) medium risk. This risk is managed and monitored on the Growth and Regeneration Risk Register.

3.3.4   There are two improving opportunity risks:
- **OPP1 – One City:** The One City Approach will offer a new way to plan strategically with partners as part of a wider city system. The risk rating being 4x5 (20) high risk. This risk is managed and monitored on the Resources Risk Register.

- **OPP2 – Corporate Strategy:** The approved Corporate Strategy presents an opportunity to fundamentally refresh and strengthen our business planning, leadership and performance frameworks. The risk rating being 4x7 (28) Significant risk. This risk is managed and monitored on the Resources Risk Register.

3.3.5   There is one deteriorating external / contingency risk :

- **BCCC2 – Brexit:** The risk that Brexit (and any resulting 'deal' or 'no deal') will impact the local economy, local funding and delivery of council services, and that uncertainty around Brexit could impact our ability to accurately assess or plan for potential positive or negative outcomes. The risk rating being 4x5 (20) high risk. This risk is managed and monitored on the Resources Risk Register.

3.3.6   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 2019.

3.3.7   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.

3.3.8   The Risk Management Assurance Policy is set out in Appendix A and the Q3 Corporate Risk Report Summary is contained in Appendix B. The summary of the threat risks are set out on ages 1 to 23, opportunity risks pages 24 to 25, and external and civil contingency risks on page 26 and 27 all including controls and management actions. A summary of risk performance on pages 28 to 29 by level of risk, the risk matrix on page 30 and the risk scoring criteria on page 31.

4   Proposal

- The Audit Committee are requested to receive and note the Risk Management Assurance Policy.

- The Audit Committee review and comment upon the Corporate Risk Report (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 Risk Management Assurance Policy.

6   Risk Assessment

The Risk Management Assurance Policy and 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 - Risk Management Assurance Policy

  Appendix B - Corporate Risk Register (The summary of the risks are set out on pages 1 to 27 including controls and management actions, a summary of risk performance on page 28 and 29, the risk matrix on page 30 and the risk scoring criteria on page 31. A more in-depth risk register is available on request).

  LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
  Background Papers:

  Risk Management Assurance Policy