

Audit Committee

Monday 29th July 2019



Report of: Director Finance, S151

Title: Corporate Risk Management Arrangements and the Q4 2018/19 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 and the Q4 2018/19 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 in line with the Risk Management Assurance Policy (Appendix A) and the CRR (Appendix B) as at June 2019.

The significant issues in the report are:

- The risk management arrangements continue to embed with good levels of engagement from the Strategic, Extended and Directorate Leadership Teams. The scrutiny arrangements have become more embedded during 2018/19.
- 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 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 B is the latest formal iteration following a review by members of the council's Corporate Leadership Board (CLB) in March 2019. The Q4 2018/19 risk review included managers from across the Council.

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.

The CRR has been prepared and presented in line with the Risk Management Assurance Policy that was approved by Cabinet in January 2019 and attached at Annex B.

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 Update

3.1.1 Risk management is the culture, process and structure 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 2018 highlighted a number of opportunities to enhance Risk Management. Areas for improvement included:

- 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.

During 2018/19 activities to further improve the management of risk have included:

- A Risk and Insurance Manager employed to further embed Risk Management principles and practices within the council.
- The Risk Management Assurance Policy (Appendix A) reviewed and refreshed with the addition of introducing the following:
 - Escalation of risks scoring 20 to 28 and core risks identified by the Leadership Team onto the Corporate Risk Report.
 - Introduction of the 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.

Key areas of improvement have included.

- Increased levels of engagement and ownership by Service Managers through a series of risk management awareness sessions and workshops.
- Formation of a cross cutting forum - the Corporate Risk Management Group (CRMG).
- Risk management data centralised on SharePoint.
- Refreshed Corporate and Directorate Risk Reports with Service Risk Registers maintaining the focus to reduce the risk / take the opportunity on the council's Corporate Plan objectives 2018-23.
- Considered risks within the Service plans for 2019/20.
- Highways risk review workshop and ranking.
- Awareness sessions on managing insurance in major projects.
- Reviewed approach to Insurance Inspections and Risk Improvement Actions.
- Review of the councils risk financing processes.

3.2 The Corporate Risk Register (CRR)

3.2.1 The Corporate Leadership Board (CLB) reviewed the CRR in March 2019 and accepted 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 and Service Risk Registers and are reported on through the Directorate Risk Reports (DRR) and then the quarterly CRR.

The Corporate Risk Report (CRR) as March 2019 contained:

Threats	Opportunities	External / Contingency Risks
<ul style="list-style-type: none"> • No critical threats • 20 high rated • 4 medium • 2 new • 1 improving • 2 deteriorating • 1 closed 	<ul style="list-style-type: none"> • 1 significant opportunity • 2 high • 1 medium • 0 new • 0 improving • 0 deteriorating • 0 closed 	<ul style="list-style-type: none"> • No critical threats • 2 high threats • 1 medium • 0 new • 0 improving • 0 deteriorating • 0 closed

A summary of the progress of new, improving, deteriorating and closed risks for this reporting period are set out below.

There are two new threat risks this quarter:

- **CRR27 - Capital Transport Programme Delivery.** Management of the overall transport capital programme is key to ensuring we deliver against mayoral priorities in the most cost and time efficient way possible. Failure to do so negatively impacts the council's reputation and finances and makes the council less likely to reduce congestion, air pollution and inequality. The risk rating being 3x7(21) high risk. This risk is managed and monitored within the Growth and Regeneration Service Risk Registers.
- **CRR28: Instability of Housing's new IT** - The stability and efficiency of the Housing IT systems present a current and future risk to effective service delivery and performance, tenant satisfaction and trust, and corporate reputation. (The risk replaces the Housing IT CRR20). The stability and efficiency of the Housing IT systems present a current and future risk to effective service delivery and performance, tenant satisfaction and trust. The risk rating being 3x7(21) high risk. This risk is managed and monitored within the Growth and Regeneration Service Risk Registers.

There is one improving threat risk:

- **CRR22: Partnerships Governance** - If the council does not maximise (or cannot quantify) the benefits of partnership working and/or experiences negative or counter-productive results may arise from partnership working. The risk rating being 3x3 (9) medium risk. This risk is managed and monitored within the Resources Service Risk Registers.

There are two deteriorating threat risks:

- **CRR13: Financial Framework and MTFP** - Failure to be able 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. The risk rating being 3x3 (9) medium risk. This risk is managed and monitored within the Resources Service Risk Registers.
- **CRR18: Failure to deliver 2000 Homes per annum by 2020** - The risk of failing to deliver the range of housing to meet Bristol's needs and not realise the ambition to deliver 2000 homes per annum by 2020 of which 800 are affordable. The risk rating being 2x7 (14) high risk. This risk is managed and monitored within the Resources Service Risk Registers.

There is one closed risk:

- **CRR8: Service Review** - 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 within the Resources Service Risk Registers.

The risks CRR16 Leadership and CRR17 Strategy Management have consistently improved throughout the year and will be de-escalated within the Resources Service Risk Registers from Q1 2019/20.

The risk BCCC2/OPP4 Brexit is an unpredictable external threat and opportunity, and because of this the reporting for these entries may already be out of date. This is being managed within the Resources Service Risk Registers via a council-wide Brexit Project Board (for general preparedness) and Brexit Coordination Group (a tactical response group to manage any immediate issues presented in a 'no deal' scenario).

All risks on the CRR have management actions in place. The CRR will continue to be subject to a refresh during 2019.

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.

Further details are contained in Appendix B: The summary of the threat risks are set out on pages 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 30 by level of risk, the risk matrix on page 31 and the risk scoring criteria on page 32. More detail is available on request.

4 Proposal

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

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

Risk Management Assurance Policy.