

# Audit Committee

Monday 30<sup>th</sup> September 2019



**Report of: Director Finance, S151**

**Title:** Corporate Risk Management Arrangements and the Q1 2019/20 Corporate Risk Report Update

**Ward:** Citywide

**Officer Presenting Report:** Denise Murray – Director of Finance, S151

**Contact Telephone Number:** 0117 3576255

## Recommendation

The Audit Committee review and comment on 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, the revised Risk Management Assurance Policy within Bristol City Council and the CRR summary report as at 23<sup>rd</sup> July 2019 presented to Cabinet September 2019.

## The significant issues in the report are:

- The Risk Management Assurance Policy will be reported to Cabinet in January 2020.
- 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 July 2019. 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 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.

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 and reports are an important part of risk management, and the CRR has been prepared and presented in line with the Risk Management Assurance Policy that was approved by Cabinet in January 2019.

## 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 2018-19 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 additional resource has been sourced to assist the Risk and Insurance Manager to further embed Risk Management principles and practices within the council.

### **3.2 The Corporate Risk Register (CRR)**

The Corporate Leadership Board (CLB) reviewed the CRR in July 2019 and accepts it as working summary report of the critical and significant risks from the Service Risk Registers.

The CRR sets out the significant critical and high rated risks both threats and opportunities. All other business risks reside on the Service Risk Registers and reported in through the Directorate Risk Reports and the Corporate Risk Report.

The Corporate Risk Report (CRR) as July 2019 contains:

Threat Risks	Opportunity Risks	External / Contingency Risks
<ul style="list-style-type: none"> <li>• 0 critical threats</li> <li>• 17 high rated</li> <li>• 5 medium</li> <li>• 1 new</li> <li>• 5 improving</li> <li>• 2 deteriorating</li> <li>• 1 closed</li> <li>• 2 de-escalated</li> </ul>	<ul style="list-style-type: none"> <li>• 1 significant opportunity</li> <li>• 2 high</li> <li>• 1 medium</li> <li>• 0 improving</li> <li>• 0 deteriorating</li> <li>• 0 closed</li> </ul>	<ul style="list-style-type: none"> <li>• 2 high threats</li> <li>• 0 improving</li> <li>• 1 deteriorating</li> <li>• 0 closed</li> </ul>

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

There is one new threat risks this quarter:

- CRR29: Information Security Management System. There is a risk that if the council does not have an Information Security Management System then it will not be able to effectively manage Information Security risks. The risk rating being 4x5 (20) high risk. This risk is managed and monitored within the Resources Service Risk Registers.

There are 5 improving threat risk:

- CRR13: Financial Framework and MTFP – The risk of 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 2x5= (10) 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 2x5 (10) medium risk. This risk is managed and monitored within the Growth and Regeneration Service Risk Registers.

- CRR21: Information Governance – The risk 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 2X5= (10) medium risk. This risk is managed and monitored within the Resources Service Risk Registers.
- CRR26: ICT Resilience – The risk if 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 2X7= (14) high risk. This risk is managed and monitored within the Resources Service Risk Registers.
- CRR27: Capital Programme - The risk 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 3x5= (15) high risk. This risk is managed and monitored within the Growth and Regeneration Service Risk Registers.

There are three deteriorating threat / external and civil contingency risks :

- 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 likelihood of this risk has increased slightly due to the start of a new financial year. It is expected as mitigations to overspends are put in place this will reduce to a tolerable level. The risk rating being 2x5 (10) medium risk from 1x5 (5) medium risk. This risk is managed and monitored within the Resources Service Risk Registers.
- CRR25: ICT Line of Business (LOB). The Councils reliance on legacy systems. The risk rating being 4x5 (20) high risk from 3x5 (15) high risk. This risk is managed and monitored within the Resources Service Risk Registers.
- 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 3X7 (21) high risk from 4x5 (20) high risk. This risk is managed and monitored within the Resources Service Risk Registers.

There is one closed risk:

- 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.

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

The risks 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 D: The summary of the threat risks are set out on pages 1 to 21, opportunity risks pages 22 to 23, and external and civil contingency risks on page 24 and 25 all including controls and management actions. A summary of risk performance on pages 26 to 27 by level of risk, the risk matrix on page 28 and the risk scoring criteria on page 29. More detail is available on request.

#### **4 Proposal**

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 A - Corporate Risk Register The summary of the threat risks are set out on pages 1 to 21, opportunity risks pages 22 to 23, and external and civil contingency risks on page 24 and 25 all including controls and management actions. A summary of risk performance on pages 26 to 27 by level of risk, the risk matrix on page 28 and the risk scoring criteria on page 29. More detail is available on request.

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

#### **Background Papers:**

Risk Management Assurance Policy