

CORPORATE AFFAIRS AND AUDIT COMMITTEE

Report title	Annual Risk Management Assurance Report	
Executive Member		
Director	James Bromiley, Strategic Director of Finance, Governance and Support	
Date	26 th July 2018	
Purpose of the report	To provide an annual review of the Council's approach to Risk Management, highlight progress made over the last year against the Risk Improvement Plan and outline plans to further strengthen Risk Management within the Council.	
Summary of the report	The report sets out the council's approach to risk management, the risk improvement work delivered during 2017/18, further improvement work planned during 2018/19 and provides a summary of the Strategic Risk Register for the Committee's information.	
If this is a key decision, which key decision test applies?*	Over the financial threshold (£150,000)	
	Amends the Council's policy framework	
	Affects two or more wards	
	Non-key	
For the purposes of scrutiny call in procedure this report is*	Exempt under s.12a Local Government Act 1972	
	Urgent	
	Non-urgent	
If this is a confidential report, which exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?	Not applicable.	
Decision(s) asked for	That the Corporate Affairs and Audit Committee notes the content of the Annual report and the appended summary of the Strategic Risk Register. That the Committee notes the progress made since the last assurance report to the Committee.	
Impact of decision(s)	The Mayor and the Executive are responsible for ensuring that the Council has effective Risk Management processes in place.	

What is the purpose of this report?

1. To provide an annual review of the Council's approach to Risk Management, highlight progress made over the last year against the Risk Improvement Plan and outline plans to further strengthen Risk Management within the Council.

Why is this report necessary?

2. This report is necessary to enable the Committee to have assurance that the Council's Risk Management arrangements are appropriate.

Risk Management – the Council's approach

3. Risk Management is the collective responsibility of all elected members and officers of the Council. The Council's approach to Risk Management is articulated by the Performance and Risk Management Framework which is periodically reviewed by Executive, most recently in June 2018.
4. In addition to this the Strategic Risk Register is submitted to the Executive for consideration as part of the Strategic Plan and a summary of the Strategic Risk Register accompanies the quarterly Balanced Scorecard update to Executive and Overview and Scrutiny Board. A summary of the current Strategic Risk Register is appended to this report at Appendix 1.
5. Within projects and programmes, risks are captured through the use of standardised project documentation which includes risk registers. There are processes in place to ensure risks are considered throughout the life of a project and that they are escalated and de-escalated as appropriate.

Risk Management Framework

6. The risk element of the Performance and Risk Management Framework:
 - defines what Risk Management means to the Council;
 - outlines the objectives and benefits of effective Risk Management;
 - sets out the different roles and responsibilities held by members and officers in relation to Risk Management;
 - articulates the Council's risk appetite; and
 - defines the cycle it uses to manage risk.
7. There are four levels of risk registers within the organisation for business as usual processes, which cover strategic level risks to Heads of Service risks and this information is held within the Risk Management software tool used by the organisation (Covalent) with the appropriate level of ownership allocated to each risk. In addition to this risk management is embedded within the Council's Project Management Framework.

Risk Management – Improvement Plan for 2017/18

A Risk Improvement Plan was developed for 2017/18 which identified improvements and the actions were split into the following areas:

- risk communication and training

- risk identification and monitoring
- risk management processes

Risk Communication and Training

8. The Council's Risk Management approach is supported by an officer Risk Management Group which has cross directorate membership and the inaugural meeting was held in April 2018. There is an agreed remit for the group and its role is to monitor the implementation of the Risk Improvement Plan and to highlight key risk areas within the Council to ensure that any required risk mitigating actions are taken and any lessons are learnt and shared. The group is chaired by the Strategic Director of Finance, Governance and Support and meets on a quarterly basis.
9. A member Risk Management awareness presentation has been developed and included in the Member Development Programme. This was requested by the Corporate Affairs and Audit Committee and was provided before the meeting.
10. Risk Management training has been provided to Heads of Service and Directors. Support has been provided to Project Managers specifically in the area of identifying risks within the projects they are responsible for through training and development of guidance. Two e-learning modules have also been developed for risk management for staff and managers, which will go live in July 2018.

Risk Identification and Monitoring

11. Horizon scanning identifies significant emerging risks that the Council should be aware of and how they impact on the organisation. The information from this is considered by LMT and the outcome is reflected within risk registers as appropriate. This exercise is repeated every 6 months.

Risk Management Processes

12. The Risk Management Framework has been reviewed to align the terminology utilised within the various documents and to ensure that it remains in line with current best practice.
13. The Risk Business Partner has met with all Directorates to challenge the risk register contents and this work has ensured that all risks recorded in these risk registers are relevant and up to date. To support the identification and updating of risks the Risk Business Partner now attends Budget and Performance Clinics.

Internal Audit of Risk Management

14. An Internal Audit of the Council's Risk Management arrangements was conducted in early 2018 by Tees Valley Audit and Assurance Service and this has concluded that the Council has a good control environment for Risk Management. Recommendations from that audit are reflected in the Risk Improvement Plan for 2018/19.

Risk Management Activities for 2018/19

15. During 2018/19 work will be undertaken to build on the progress made within the previous Risk Improvement Plan. The actions planned are split into the following areas:

Action	Target Date
Develop a Communication and Engagement Plan to ensure a coordinated approach is taken from all risk areas.	July 2018
Further develop the Risk Management area of the intranet.	August 2018
Introduce individual risk review discussions on a strategic risk with the committee on a twice yearly basis.	September 2018 onwards
Develop a risk maturity model to assess the current level of maturity within the organisation and to identify the areas for the best utilisation of the risk management resource.	September 2018
Strengthen the links between Risk Management and Internal Audit to ensure findings from audits are reflected and included within the risk registers where appropriate and to implement a risk review programme which supports the work undertaken by Internal Audit.	October 2018
To undertake a full roll out the risk software (Covalent) across organisation with provision of training materials and guidance to support officers to move more to self-serve.	December 2018

What decision(s) are being asked for?

16. That the Corporate Affairs and Audit Committee notes the content of the Annual report and the appended summary of the Strategic Risk Register. That the Committee notes the progress made since the last assurance report to the Committee.

Why is this being recommended?

17. The proposed approach to Risk Management will ensure that Council is able to have an effective approach to Risk Management, while empowering managers to own and manage risk, in line with the Middlesbrough Manager model.

Other potential decisions and why these have not been recommended

18. This is an annual assurance report on the Council's Risk Management Framework. Alternative models for delivery of Risk Management are available however they would require increased resources to be put in place. This would not align with the principles of the Middlesbrough Manager model in which risks are managed by the appropriate owner rather than the corporate centre.

Impact(s) of recommended decision(s)

Legal

19. By managing the risks the Council has a process in place for identifying and managing the risk of failing to comply with legislation.

Financial

20. There are no direct financial implications arising from this report. However there are clear links from risk management to the financial spend of the Council. By managing risks the Council can highlight any trends and manage these to ensure that there is no detrimental impact.

The Mayor's Vision for Middlesbrough

21. Effective Risk Management increases the likelihood that actions the Council plans to take to contribute to the Mayor's vision will be successfully be delivered.

Policy Framework

22. This report will not result in an amendment to a policy framework document.

Wards

23. The proposals have no direct impact on wards in Middlesbrough.

Equality and Diversity

24. There are no direct implications from this report on equality and diversity.

Risk

25. The Council must continue to maintain good management practices identified within the Performance and Risk Management Framework. Risk Management work supports mitigating the risk of the Council not having adequate governance processes in place to ensure that compliance is in place with all relevant legislation (Risk Register No O8-054). If the Council does not promote and maintain effective risk management then its governance and internal control environment could be compromised.

Actions to be taken to implement the decision(s)

26. Following endorsement of the Council's approach to Risk Management, actions will be taken during 2018/9 to further strengthen the approach.

Appendices

Appendix 1 – Summary of the Strategic Risk Register.

Background papers

Executive report, Performance and Risk Management Framework, 12th June 2018.
Corporate Affairs and Audit Committee, Annual Risk Management Assurance Report, 28th September 2017.

Contact: Heather Pearce, Risk Business Partner
Email: heather_pearce@middlesbrough.gov.uk

Summary of the Strategic Risk Register as at 11.06.18

Appendix 1

Risk	Directorates affected	Current risk level			Trend
		Probability	Impact	Score ^[1]	
Inability to secure funding for schools from developers or other sources (04-014)	Learning & Skills	4	5	20	II
Low economic growth – impact on Investment Prospectus (01-005)	Economic Growth	3	5	15	Down
Skills mismatch between local people and job market (04-006)	Learning and Skills	3	5	15	II
Children's social care transformation – increases risk (04-022)	Children's Care	3	5	15	II
Failure to deliver corporate transformation or savings (08-056)	FGS	3	5	15	II
Ineffective strategic and delivery partnerships (08-008)	FGS	3	5	15	II
Failure to stabilise impact of population growth on services (04-022)	Learning & Skills	3	5	15	II
MTFP process failures e.g. inaccurate assumptions (08-059)	FGS	3	5	15	II
Ineffective early intervention in social care (09-005)	Prevention & Partnership	3	5	15	II
Failure to have in place detailed approach to GDPR (08-067)	FGS	3	5	15	II
Breach of statutory duties (08-055)	FGS	2	7	14	II
Failure to improve SEND arrangements (04-021)	Learning & Skills	2	5	10	II
Corporate governance failure (08-054)	FGS	3	3	9	II

^[1] Probability is scored from 1 (rare) to 5 (almost certain), impact from 1 (insignificant) to 7 (extreme). Impact can relate to a range of factors including the achievement of priorities, financial losses and reputational damage. The risk score is P x I, with a maximum score of 35.

Inability to recruit and retain key staff (08-027)	FGS	3	3	9	II
Centre Square Development does not deliver financial return/savings (01-047)	Economic Growth	3	3	9	II
Corporate values are not owned and embedded (08-068)	FGS	3	3	9	II