MIDDLESBROUGH COUNCIL

Middlesbrough
moving forward

Report of:	James Bromiley, Strategic Director of Finance, Governance and Support

Submitted to:	Corporate Affairs and Audit Committee, 25th July 2019

Subject:	Annual Risk Management Assurance Report

Summary

Proposed decision(s)
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.

Report for:	Key decision:	Confidential:	Is the report urgent?[1]
	No	No	No

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
Effective Risk Management increases the likelihood that actions the Council plans to take contribute to the successful delivery of the Strategic Plan		

Ward(s) affected
The proposals have no direct impact on wards in Middlesbrough.

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 does this report require a Member decision?

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[1] Remove for non-Executive reports

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 and the last review was June 2018.

4. The Council uses risk registers to manage the various risks it identifies. The overarching risk register is called the Strategic Risk Register. This register captures the most significant risks the organisation is exposed to that could impact on its ability to deliver its strategic priorities which are outlined in the Strategic Plan.

5. This strategic risk register is underpinned by departmental level risk registers. Within project 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 either as they are managed during business as usual processes or throughout the life of a project and that they are escalated and de-escalated as appropriate.

6. In addition to annually reporting the Council's overall approach on Risk Management to this Committee, a summary of the Strategic Risk Register is considered every three months by the Executive as part of a report on performance against delivery of the Strategic Plan and other key performance measures

7. Overview and Scrutiny Board also receive the same quarterly report to support effective scrutiny. A summary of the current Strategic Risk Register is appended to this report at Appendix 1.

Risk Management Framework

8. 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.

9. 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 (Pentana) 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

10. A Risk Improvement Plan was developed in 2017/18 as the Council is committed to ensuring its Risk Management practice continues to be effective. This is now annually refreshed. Actions were split into the following areas:

- risk communication and training
- risk identification and monitoring
- risk management processes.

<u>Risk Communication and Training</u>

11. During 2018/19 training has been further developed with all documentation being made available via the intranet. There are two e-learning modules in place one which covers general awareness for all on risk management and the second is aimed at Middlesbrough Managers so they are made aware of the process. A Risk Management Group is now established which agrees the risk improvement plan. It meets on a quarterly basis to monitor delivery of the plan. A Communication and Engagement plan has been developed to identify what work is being developed and rolled out within these areas so a coordinated approach is taken.

12. In order to increase Member awareness of risk management there is a commitment to presenting an overview of a key risk every 6 months to this committee. In 2018/19 presentation were given on the following strategic risks:

   a. Clinical Commissioning Group risk
   b. General Data Protection Regulation risk
   c. Transition from election and Member/Officer relationships

13. A Member Risk Management awareness presentation forms part of the Member Development Programme and this has been provided to the Corporate Affairs and Audit Committee before the meeting today.

14. During the last 12 months a pilot has been undertaken to roll out the Council's Pentana risk software to officers which will enable individuals to self-serve and increase the visibility of risk management processes. This pilot was successful and the full roll out of the software across the organisation is now ongoing.

<u>Risk Identification and Monitoring</u>

15. 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.

16. Statistical analysis of the Council's insurance claims has been undertaken to identify any risk trends forming and this information was reviewed by the Risk Management Group.

<u>Risk Management Processes</u>

17. Linkages with Internal Audit have been further strengthened by enabling items to be placed on the Council's Risk Management Group agenda and receiving the minutes of the meetings. The Risk Business Partner now receives all final audit reports and reviews them to ensure any risks identified are put on the relevant risk registers within the Council. TVAAS auditors are able to access the Pentana risk software to utilise the risks to scope their audits and are able to contact the Risk Business Partner should they require any support with this.

18. Within the report format there is a risk section and the guidance provided for completing requests individuals to identify what risks they are mitigating within the Council's risk registers. The Risk Business Partner checks compliance on the risk section on a monthly basis and provides feedback to individuals on what should be included for future reports.

19. The Risk Business Partner attends Budget and Performance Clinics and supports the identification and updating of risk registers.

<u>Internal Audit of Risk Management</u>

20. An Internal Audit of the Council's Risk Management arrangements was conducted in early 2018 by Tees Valley Audit and Assurance Service and this concluded that the Council has a good control environment for Risk Management. Recommendations from the audit were reflected in the Risk Management Improvement Plan for 2018/19 and seven out of the nine recommendations have now been completed. The two remaining recommendations target dates for implementation are December 2019 and April 2020.

Risk Management Activities for 2019/20

21. During 2019/20 work will be undertaken to build on the progress made in 2018/19. The key actions planned for 2019/20 are:

Action	Target Date
Review and revise the Risk Management Framework documents to ensure they remain relevant and up to date	September 2019
Develop a Risk Management Masterclass for officers to attend and run on a quarterly basis.	September 2019
To develop a Potential Violent Person Register process, guidance and identify software requirements	September 2019
To fully roll out the Pentana risk software across the Council.	March 2020
To review Pentana risk software when rolled out to identify other areas the system can be utilised for e.g. audit recommendations.	April 2020

What decision(s) are being asked for?

22. 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?

23. The proposed approach to Risk Management will ensure that the 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

24. 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

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

Financial

26. 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.

Policy Framework

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

Equality and Diversity

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

Risk

29. The Council continues to maintain good management practices identified within the Performance and Risk Management Framework. Risk Management work supports mitigating the risk of the Council now 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)

30. Following endorsement of the Council's approach to Risk Management, actions will be taken during 2019/20 to further strengthen the approach.

Appendices

Appendix 1 – Summary of the Strategic Risk Register.

Background papers

Body	Report title	Date
Corporate Affairs and Audit Committee	Annual Risk Management Assurance Report	26th July 2018

Contact: Heather Pearce, Risk Business Partner
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- Failure to recruit and retain key staff
- Centre Square -failure to provide expected returns
- TeesAMP - failure to provide expected returns
- Business Rates Review - MTFP pressures

- National Waste Review - MTFP pressures
- Inward migration - MTFP pressures
- Partners' funding position - MTFP pressures

		1	2	3	5	7
Almost Certain >80%	5	Low (5)	Medium (10)	Medium (15)	High (25)	High (35)
Likely 51% - 80%	4	Low (4)	Low (8)	Medium (12)	High (20)	High (28)
Possible 21% - 50%	3	Low (3)	Low (6)	Medium (9)	Medium (15)	High (21)
Unlikely 6- 20%	2	Low (2)	Low (4)	Low (6)	Medium (10)	Medium (14)
Rare <6%	1	Low (1)	Low (2)	Low (3)	Low (5)	Low (7)
		1	2	3	5	7
		Insignificant	Minor	Moderate	Major	Extreme
				Impact		

(Likelihood (Probability) — vertical axis label)

- No Deal Brexit - Business continuity
- Any Brexit - Local economy

- National Waste Review - MTFP pressures

- Failure to comply with statutory duties
- Terrorist incident (national threat level)

- School leavers - poor skills profile
- Failure to manage school place for international new arrivals
- SEND sustainability plan not fully implemented
- Children impacted by social care transformation
- Failure of early help services
- Failure to secure funding for a new school
- Failure to transform culture and deliver savings plans
- Inaccurate MTFP leading to savings gap
- Insufficient primary places in central Middlesbrough
- Failure to develop effective partnerships
- Failure to comply with GDPR