AUDIT COMMITTEE – 19th July 2017

RISK MANAGEMENT ANNUAL REPORT 2016 / 17 AND FORWARD LOOK 2017 / 18

Executive Summary:

Key Issues:

I.   The Risk Management Framework has been reviewed in 2017, and considered by the Audit Committee at their meeting dated 19th April 2017 (section 3.2);

II.   The Risk and Governance Manager continues to lead on the provision of Risk Management, Insurance and Corporate Governance activities within the Council (section 5);

III. All risk logged on the Council's Strategic Risk Register have been updated during 2016 / 17 (section 6);

IV. The Councils Risk Profile has slightly decreased (section 7);

V.   The Risk Management database, Morgan Kai Insight is no longer in use for the recording of risks (section 9); and,

VI. The Annual Governance Review for 2016 / 17 was completed and the subsequent Annual Governance Statement was signed by the Leader and Chief Executive in 2016 (section 11.3).

AUDIT COMMITTEE – 19th July 2017

RISK MANAGEMENT ANNUAL REPORT 2016 / 17 AND FORWARD LOOK 2017 / 18

1.   Purpose of the Report

1.1   The purpose of this report is to summarise the activity in 2016 / 17 towards the achievement of the goals and objectives set out in the Council's Risk Management Policy, and to signpost further work to be undertaken in 2017 / 18.

1.2   This report seeks to provide suitable assurances that the significant risks to the achievement of corporate objectives have been identified and are being appropriately managed within the comprehensive Risk Management Framework.

2.   Recommendations

2.1   It is recommended that the Audit Committee:

   I.   Considers the Risk Management Annual Report, and the assurances provided, as part of its overall consideration of the Council's control framework for the purposes of the Annual Governance Statement;

   II.   Considers whether any aspect of this report requires a more detailed report at a subsequent meetings; and,

   III. Continues to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2017 / 18.

3.   Risk Management Framework

   2016 / 17:

3.1   The revised Risk Management Framework was presented to the Audit Committee at their meeting dated 20th April 2016. The revised Risk Management Framework was subsequently approved by Cabinet at their meeting dated 1st June 2016.

   2017 / 18:

3.2   A review of the Risk Management Framework was undertaken in April 2017. A report to the Audit Committee, presented on 19th April 2017 detailed the material changes to the Risk Management Framework. This report was subsequently approved by Cabinet at their meeting dated 3rd May 2017.

3.3   The positioning of Risk Management as an enabler for change has been beneficial to the service, in terms of being perceived as a management tool that provides the opportunity to consider and understand the risks in doing something differently, and to provide assurances that positive outcomes can be realised by doing things in a different way.

4.   Roles and Responsibilities

2016 / 17:

4.1   The inaugural meeting of the CAG took place on 5th April 2016. As part of the first meeting, the terms of reference for the group were consider and approved.

4.2   Meetings of the CAG have focused on the provision of information regarding the Annual Governance Review, which underpins the production of the Council's Annual Governance Statement.

2017 / 18

4.3   A number of meetings have taken place between the Risk and Governance Manager and internal Control lead officers which have contributed to the development of the Council's Annual Governance Review for 2017 / 18.

5.   Risk Management Section

2016 / 17:

5.1   The RMS led the recent insurance tendering exercise for the Council, which was completed in September 2016. It was pleasing to note a number of insurers tendered for various elements of the Councils required insurances, and for the majority of 'lots' there was adequate competition in place. Key outcomes for the exercise included ensuring all required insurances were in place for 1st October 2016, with around £115K of savings realised.

2017 / 18:

5.2   The Council will be tendering for a new Insurance Broker, the procurement of which will commence in August 2017.

6.   Risk Management Process

Strategic Risk Register 2016 / 17:

6.1   A robust and dynamic Strategic Risk Register (SRR) sets the culture and tone for Risk Management across and throughout the Council. The engagement of SMT in the Risk Management process through the ownership and review of the SRR demonstrates a strong commitment to lead and champion Risk Management 'from the top' and to further reinforce the continuing development of a Risk Management culture.

6.2   The SRR was reviewed in March 2016, and was considered by the Audit Committee at their meeting dated 20th April 2016, and was subsequently approved by Cabinet at their meeting dated 1st June 2016.

6.3   A further review of the SRR took place in October 2016, and this was considered by the Audit Committee at their meeting dated 7th December 2016, and was subsequently approved by Cabinet at their meeting dated 3rd May 2017.

Strategic Risk Register 2017 / 18:

6.4 Key issues either logged on the SRR, or being considered as part of the forthcoming review of the SRR (programmed for September 2017) includes:

- Emergency Planning and Business Continuity arrangements;
- Governance arrangements surrounding the emerging City Region Devolution Deal;
- Implications of 'Brexit' on Local Authorities; and,
- Financial risk associated with the management of the Barnsley, Doncaster and Rotherham Waste PFI plant.

6.5 As with previous reviews of the SRR, the outcomes of future reviews will be reported to, and considered by the Audit Committee.

Operational Risk Registers 2016 / 17:

6.6 The Operational Risk Registers (ORRs) relate to the key risks to the provision of Council services. During 2016 / 17 these risk registers were formally reviewed on a half yearly basis, to ensure risk remained relevant and that identified risk mitigation actions were being implemented. The risks contained within the ORRs are aligned to individual Business Unit Business Plans.

6.7 Following the completion of each review, there is an expectation that 'red' risks (in terms of the 'current' and 'target' risk assessments) are escalated to Business Unit Management Teams for further consideration.

Operational Risk Registers 2017 / 18:

6.8 The RMS will continue to ensure that ORRs are reviewed and updated on a half yearly basis.

6.9 The compliance against the requirements of the ORR review programme will be reported as part of the Annual Governance Review, which is currently underway. The compliance with the ORR process is also included within the Risk Management Performance Indicators, detailed in section 11.6, and Appendix One of this report.

6.10 The Financial Services 'Core Offer' is pitched at Service Directors and senior managers, and aims to set out the depth and breadth of support available in terms of general financial management and associated control. The document details how the Financial Services Business Unit has had to adapt in order to operate within a much reduced resource envelope. As a result, the services now on offer are more focussed on enablement, and designed to provide Service Directors and senior managers with the tools, training, support and advice necessary to help them make more informed business decisions and subsequently be more effective in the management of Operational risk.

Project Risk Management 2016 / 17:

6.11 Direct liaison with a number of significant projects by the RMS continued, and included:

- 'Better Barnsley' Programme / 'Glassworks' Programme;
- Property Investment Fund / Speculative Developments;
- Strategic Business Parks (including Junction 36 and 37 developments);
- Wentworth Trust.

6.12 A detailed review of the Council's project and programme management requirements has been undertaken, led by the Corporate Projects and Programmes Manager within the Business

Improvement and Communications Business Unit. Liaison between the Corporate Projects and Programmes Manager and the RMS was undertaken throughout the review, resulting in the Councils Corporate Project Management Approach being launched in 2017.

Project Risk Management 2017 / 18:

6.13 The RMS will continue to support project managers in the robust management of project and programme related risks, on a needs basis. In a similar manner to Operational Risk Register, it is envisaged that Service Directors and senior managers will be provided with the tools, training, support and advice necessary to help them make more informed business decisions and subsequently be more effective in the management of Project and Programme risk.

Partnership Risk Management 2016 / 17:

6.14 Liaison with the following key partners during 2016 / 17 allowed for the sharing of risk information, which was analysed, and fed back to both the partnering organisation, and the lead officer within the Council, responsible for the specific partnership:

- Barnsley Norse;
- Barnsley NPS;
- Barnsley Premier Leisure; and,
- Berneslai Homes.

6.15 Although not strictly a 'partnership', the RMS supports both the Barnsley Safeguarding Adults Board (SAB) and the Barnsley Children Safeguarding Board (BCSB) in their risk management arrangements.

Partnership Risk Management 2017 / 18:

6.16 It is envisaged that assurances will be sought from those partners detailed in section 6.14 during 2017 / 18, and the outcomes of any analysis undertaken by the RMS will be provided to the partnering organisation itself, as well as the lead officer within the Council, responsible for the specific partnership.

6.17 The issue of Partnership Governance was a key issue identified in previous Annual Governance Reviews, and a Partnership Governance Framework update is due to be presented to BLT in 2017.

7. Risk Profile / Statistics

7.1 The corporate Risk Management process allocates a Category Score to each risk, based upon a combination of likelihood and the highest scoring impact; Category One (red) being the most severe, and Category Six (green) being the least.

SRR and ORR Statistics:

7.2 A breakdown of SRR and ORR risks, by Category, as at 4th July 2017 is shown below. This includes all Business Unit Risk Registers, along with the Councils Strategic Risk Register:

Risk Category	July 2017		June 2016		May 2015		May 2014	
	No.	%	No.	%	No.	%	No.	%
1	46	14	51	16	28	9	67	18
2	61	18	59	18	49	16	71	19
3	67	20	62	19	55	18	55	15
4	90	26	82	25	77	25	81	22
5	72	21	68	21	93	31	99	26
6	2	1	2	1	2	1	3	1
Total	318	100	324	100	304	100	373	100
Average Risk Category Score	3.22		3.19		3.53		3.24	

7.3   The latest statistics demonstrate a slight decrease in the overall risk profile for the Council for the current period (3.22) compared to the profile as at June 2016 (3.19). This is clearly attributable to the decrease in red risks (14% as at July 2017) compared to 16% as at June 2016.

The average Risk Category score metric details the average score for all risks of relevance logged for the period in question. The principle behind this metric is to identify and manage any trend in terms of the overall Risk Category score becoming more 'acceptable'. The closer this metric aligns to Category Six (being the most acceptable Risk Category score possible) the more assured the Council can be in ensuring risks are being managed down to acceptable levels.

Project and Partnership Statistics:

7.4   A breakdown of Project and Partnership risks, by Category, as at 4th July 2017 is shown below. This includes (by way of example) the Better Barnsley and Glassworks Risk Registers, and partnership registers relating to the Adult and Children Safeguarding Boards and the Health and Wellbeing Partnership:

Risk Category	July 2017		June 2016		May 2015		May 2014	
	No.	%	No.	%	No.	%	No.	%
1	5	2	4	2	11	5	6	5
2	23	11	28	12	32	16	22	18
3	46	21	51	22	49	24	23	19
4	63	28	71	30	53	26	36	29
5	85	38	81	33	57	28	35	28
6	0	0	1	1	1	1	1	1
Total	222	100	236	100	203	100	123	100
Average Risk Category Score	3.9		3.84		3.57		3.61	

7.5   Whilst the overall number of partnership and project risks has seen a slight decrease compared to June 2016, there has been no detrimental impact on the Council's risk profile in this area.

8.   Risk Acceptance, Escalation and Reporting

8.1 The Council's Risk Acceptance model was revised as part of the overall refresh of the Risk Management Framework in April 2016. This document is intended to provide assurances to owners of risk, that as the Council becomes more willing to consider, and exploit opportunities there is an increased likelihood the Council will, at times, have to accept a higher level of risk.

2017 / 18:

8.2 As detailed in section 3.2, the Risk Management Framework benefitted from a further review in early 2017 / 18, which was considered by the Audit Committee on 19th April 2017.

9. Risk Recording

2016 / 17:

9.1 The application and use of Morgan Kai Insight (MKI) was considered by Internal Audit when they conducted their annual review of the Council's Risk Management arrangements, and suggested that consideration is given to the future use of MKI regarding the recording of risks and risk mitigation actions within the Council. As a result, the Council no longer uses MKI for the logging of risks, and has reverted to a Microsoft Excel based system.

2017 / 18:

9.2 The recording of risks continues to be done via Microsoft Excel based system. It is likely that Operational Risk Registers will be 'published' within the Councils document management system; SharePoint to assist is disseminating and sharing information.

10. Guidance, Training and Facilitation

2016 / 17:

10.1 A training session was delivered to colleagues within Business Unit 5 (Housing and Energy) relating to Project and Programme Risk Management.

2017 / 18:

10.2 It is envisaged that training requests from Services and Business Units will be received throughout the year ahead, and appropriate training offers will be developed to ensure that Council employees have the correct capabilities and skills to effectively manage risk. This is envisaged to support the Financial Services 'Core Offer' which is underpinned by high quality tools, training, support and advice.

11. Assurance and Performance Management

Integration with Other Processes 2016 / 17:

11.1 Details of all significant risks logged in MKI have been passed to the Internal Audit section to maximise opportunities to link Audit Planning with risk issues. This assists in ensuring that the annual Internal Audit plan is risk based, and focuses on the significant threats to effective service delivery.

Integration with Other Processes 2017 / 18:

11.2   To complement the above, it is envisaged the developing Corporate Assurance Framework will also contribute to risk informed auditing.

Annual Governance Review (AGR) / Annual Governance Statement (AGS) 2016 / 17:

11.3   Following the Annual Governance Review (AGR) in the summer of 2016, the RMS was able to produce the Council's statutory Annual Governance Statement (AGS), which was considered by the Audit Committee at their meeting dated 23rd September 2016, and subsequently approved by Full Council at their meeting dated 29th September 2016.

11.4   The AGS benefitted from a detail improvement action plan, which the RMS has managed for the period. Updates from lead officers have been received on a regular basis, and an update to this Action Plan was presented to the Audit Committee at their meeting dated 7th December 2016.

Annual Governance Review (AGR) / Annual Governance Statement (AGS) 2017 / 18:

11.5   The RMS has initiated the AGR process, and has used the CAG to agree elements of the review, and embed these within Business Units. This AGR commenced in July, with the outcomes of the AGR being considered later in July to enable the production of the draft AGS for consideration by the Audit Committee, at their meeting programmed for 19th July 2017.

Performance Management 2016 / 17:

11.6   It is important that the success of the Risk Management Strategy can be measured, and in order to do so, a series of performance indicators for 2016 / 17 are attached as Appendix One to this report.

11.7   The annual independent review of Risk Management arrangements in 2016 / 17 by Internal Audit was undertaken in September 2015. The results of this audit provided the RMS with an 'adequate' assurance opinion for the year.

Performance Management 2017 / 18:

11.8   Revised performance indicators for 2017 / 18 have been developed to ensure that the Council's decision not to participate in the Association of Local Authority Risk Managers (ALARM) and CIPFA Benchmarking Club for Risk Management does not affect the ability to measure performance.

11.9   It is envisaged that Internal Audit will undertake their annual review of Risk Management arrangements later in 2017.

12.   Culture

12.1   The prime objective of the Risk Management Policy is to facilitate the management of risks (and benefits and opportunities arising) in accordance with best practice, through a culture where responsible, informed and controlled risk taking in encouraged.

13.   Risk Management Considerations

13.1   Clearly the most significant and obvious risk to the Council is failing to embrace Risk Management as a vehicle to help process and deliver objectives in a cost effective and efficient manner. Adopting and constantly improving the Risk Management arrangements for the Council is a clear mitigation against this corporate risk.

14.   Financial Implications

14.1   Whilst there are no direct financial implications arising from this report, the impact of Risk Management should be recognised as a major contributor to achieving value for money and demonstrating the efficient use of resources.

15.   Employee Implications

15.1   Whilst there are no direct employee implications arising from this report, the Risk Management process relies entirely on all employees having a good awareness of their responsibilities for Risk Management and for those employees specifically tasked with Risk Management functions, it is essential that they are trained and supported to fulfil that role.

16.   Appendices

Appendix One: 2016 / 17 Performance Indicators

18.   Background Information

Previous Audit Committee Reports
Risk Management Framework
MKInsight / Microsoft Excel – Risk Registers
Training Records and feedback

Contact Officer: Risk and Governance Manager
Telephone: 01226 77 3119
Date: 4th July 2017

Indicator	Quarter One (01/04/2016 – 30/06/2016)	Quarter Two (01/07/2016 – 30/09/2016)	Quarter Three (01/10/2016 – 31/12/2016)	Quarter Four (01/01/2017 – 31/03/2017)
Process:				
% of Business Units **completing Operational Risk Register Reviews on time**	81%	44%	36%	55%
% of Business Units **completing Operational Risk Register Reviews**	100%	66.6%	100%	55.5%
Changes to Risk Profile:				
Deviance from **Average Risk Category Score**	2015 / 16: Average Risk Score: 3.19 2016 / 17: Average Risk Score: 3.22		Direction of Travel ↑	