AUDIT COMMITTEE – 10th June 2015

RISK MANAGEMENT ANNUAL REPORT 2014 / 15

Executive Summary

Key Issues:

1. The Risk Management Framework (including the Risk Management Policy and Strategy) have been reviewed to reflect the context in which the Council is operating within in terms of the Future Council, and the development and embedding of Business Units.

2. Regular and productive Risk Champion meetings have assisted in focusing activity within Directorates, aimed at further embedding a culture of Risk Management within the Council.

3. The Strategic Risk Register (SRR) has benefitted from its fifth full review, and is now regularly reported to Audit Committee for consideration.

4. The Council's corporate Risk Management database, Morgan Kai Insight has now been upgraded by the developers, and the Council is now progressing the roll-out and embedment of this system into the Council's normal business processes.

5. The Risk Management training and awareness programme for 2014 / 15 has been delivered. This is now complemented by the provision of discrete Risk Management training packages for Officers and Elected Members as part of the Barnsley on-line development platform (BOLD).

6. The Risk Management Workplan for 2014 / 15 has been completed and, the Risk Management Section is now working towards delivery of the 2015 / 16 Workplan.

AUDIT COMMITTEE – 10th June 2015

RISK MANAGEMENT ANNUAL REPORT 2014 / 15

1.   **Purpose of Report**

1.1   The purpose of this report is to summarise the activity in 2014 / 15 towards the achievement of the goals set out in the Council's Risk Management Policy, and to signpost further work to be undertaken in 2015 / 16.

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 assurance provided, as part of its overall consideration of the Council's control framework for the purposes for the Annual Governance Statement;**

      ii.   **Considers whether any aspect of this report requires a more detailed report at a subsequent meeting; and,**

      iii.   **Continues to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2015 / 16.**

3.   **Risk Management Framework**

3.1   The revised Risk Management Framework was presented to Audit Committee on 22nd April 2015. Due to the nature of the changes to Risk Management Framework, this was subsequently approved by Cabinet on 20th May 2015.

3.2   Considerable progress has been made throughout the Council in recent years in the embedding of Risk Management policies and procedures which have contributed to the development of a Risk Management culture. The journey towards the Future Council has been underpinned by a number of key outcomes for the Future Council, including:

'Being innovative and taking managed risks'

(Source: Future Council Strategy 2014 – 2017)

The positioning of Risk Management in the Council as an enabler for change has been beneficial to the service in terms of being perceived as a management tool that allows managers the opportunity to understand the risks

in doing something differently, and provide appropriate assurances in terms of mitigations before any changes are fully implemented. The development of Business Units as part of the Future Council arrangements is an example of the changing environment in which services / business units will be required to be innovative, whilst ensuring there is a culture of managed risk taking.

3.3   This revised Framework also contributes to the overall Internal Control Framework, which provides assurances regarding the Council's compliance and performance.

Risk Management Policy

3.4   The Risk Management Policy sets out the overall vision and purpose of Risk Management within the Council, and defines the objectives that are necessary to deliver that vision, and detail how they will be supported. The delivery of the Risk Management Policy is crucial to the successful embedding of a culture where Risk Management is considered a part of normal business processes.

3.5   The recent review of the Risk Management Framework included consideration of any appropriate changes or amendments to the Risk Management Policy objectives. The review of this document identified that inclusion of the development and embedding of business units as part of the Future Council programme should be maintained.

Risk Management Strategy

3.6   The revised iteration of the Risk Management Strategy benefits from a short introductory paragraph, provided by the Director of (Finance, Assets and Information Services), which reinforces the positioning of Risk Management as an enabling management tool:

'... risk management is an enabler to success and excellent performance. It should no longer be considered as a barrier to change, or a way of justifying the status quo.'

(Source: Risk Management Strategy 2015 / 16)

3.7   The development of the revised Strategy has (as per previous years) been influenced by the consideration of best practice, the outcomes of previous Benchmarking the Council has participated in, the requirements of the national Risk Management Standard (ISO:31000) and recommendations made in the previous annual reviews of the Council's Risk Management arrangements undertaken by Internal Audit.

3.8   The Strategy document sets out the essential elements for the successful delivery of the Policy and also sets out how assurance will be provided that risks are understood and are being managed appropriately.

3.9   The current iteration of the Strategy also includes a revised version of the Council's Risk Acceptance Model, which has been revised to ensure it remains proportionate, and encourages managed risk taking, as opposed to risk aversion.

4. Roles and Responsibilities

Risk Champions

4.1 The role of the Risk Management Champions is an essential element to the development of a Risk Management culture within the Council. In essence, the Risk Champions promote and support Risk Management within their own Directorates. Regular quarterly meetings are facilitated by the Risk Management Section (RMS) in which Champions are able to report on the effectiveness of the Risk Management activities within their own Directorates, report on progress and activities taken to further promote Risk Management and share experience and best practice in relation to Risk Management.

4.2 All Risk Champions are asked to complete a pro forma prior to each meeting, detailing activity relating to their involvement and contribution towards operational and project risk managers, the preparation of decision making reports and the use of the risk management database Morgan Kai Insight (MKI).

4.3 It is envisaged that the Risk Champion Group will continue to meet during 2015 / 16. It is accepted however that the membership of the group may be affected by Future Council changes.

Risk Management Section (RMS)

4.4 The RMS had undergone a significant structural review as part of the Future Council programme.

4.5 The RMS benefits from an annual workplan, detailing the key tasks and activities for the year. The RMS Workplan is subject to monthly, programmed reviews.

5. Risk Management Process

Strategic Risk Register (SRR)

5.1 A robust and dynamic SRR sets the culture and tone for Risk Management across and throughout the Council. The engagement of the Senior Management Team (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.

5.2 The next review of the SRR is programmed for September 2015. As per previous reviews of the SRR, the outcomes of this review will be reported, and considered by Audit Committee.

Operational Risk Registers (ORRs)

5.3 These registers relate to the key risks to the provision of Council services. During 2014 / 15, these registers were formally reviewed on a half yearly basis, to ensure risks remained relevant and that identified mitigation actions

were being implemented. The risks contained with the ORR's are aligned to corporate processes, and in particular, Service Delivery Planning, and more recently the developing Business Unit plans.

5.4   Following the completion of each review, there is a requirement to ensure that 'red' risks (in terms of 'current' and 'target' assessments) are reported to Business Unit Management Teams, in accordance with the revised Risk Acceptance Model

5.5   The RMS will continue with a rolling programme of detailed risk register reviews to ensure the approaches to risk identification and mitigation are consistent. In addition, these reviews will 'challenge' whether the registers do contain those risks which directly influence the achievement of service and corporate objectives.

Project Risk Management

5.6   The Council continues to utilise the P2.net system to enable the recording and management of a significant number of risks, mainly relating to project and programme management activities.

5.7   Direct liaison with a number of significant projects by the RMS continues, and includes:

- 'Better Barnsley' Programme;
- Cooper Gallery Extension;
- Cannon Hall 'Parks for People' Programme;
- South Yorkshire Superfast Broadband;
- Dearne Valley Landscape Partnership; and,
- Property Investment Fund / Speculative Developments;

Partnership Risk Management

5.8   Assurance continues to be sought from the Council's key partners, relating to their own Risk Management arrangements. Analysis of partner's risk management arrangements is fed back to both the partnering organisation, and the lead officer responsible for partnership governance arrangements within the Council for consideration and action.

6.   Risk Profile / Statistics

6.1   The corporate Risk Management software system, Morgan Kai Insight (MKI) allocates a category score to each risk, based upon a combination of likelihood and highest scoring impact; Category One (red) being the most severe, and Category Six (green) being the least.

SRR and ORR Statistics

6.2   A breakdown of the SRR and ORR risks by Category, as at 15/05/2015 is shown below:

Risk Category	May 2015		May 2014		May 2013		May 2012	
	No.	%	No.	%	No.	%	No.	%
1	28	9	67	18	85	17	119	18
2	49	16	71	19	139	27	168	26
3	55	18	55	15	61	12	72	11
4	77	25	81	22	100	19	129	20
5	93	31	99	26	126	24	151	23
6	2	1	3	1	2	1	5	1
Total	304	100	373	100	513	100	644	100
Average Risk Category Score	3.53		3.24		3.09		3.06	

6.3   The latest statistics are a continuation of the trend evident from previous years, showing a continuing year on year reduction in the number of active risks, which is mainly attributable to the impact of business unit restructures leading to the realignment of risks by services.

The activities undertaken by the RMS in respect of service risk register challenges has also influenced the resulting decrease in active risk numbers, as a number of risks and risk registers have been archived following completion of service challenges. However, the proportional split between categories of risk remains virtually unchanged, with the exception of Category One risks (down 9%).

The average risk category score metric details the average risk score for all risks logged in MKI within the defined period. 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 in MKI) the more assured the Council can be in ensuring risks are being managed to acceptable levels.

Projects and Partnerships Statistics

6.4   A breakdown of Project and Partnership risks by Category, as at the 15/05/2015 is shown below:

Risk Category	May 2015		May 2014		May 2013		May 2012	
	No.	%	No.	%	No.	%	No.	%
1	11	5	6	5	18	17	15	11
2	32	16	22	18	17	16	35	26
3	49	24	23	19	22	20	20	15
4	53	26	36	29	21	19	34	25
5	57	28	35	28	28	26	25	18
6	1	1	1	1	2	2	8	6
Total	203	100	123	100	108	100	137	100
Average Risk Category Score	3.57		3.61		3.27		3.31	

6.5   The overall number of partnership and project risks has seen an increase compared to May 2014, mainly attributable to several new projects such as the Cooper Gallery extension, and the Parks for People programme.

However, the profile between May 2014 and May 2015 illustrates the percentage breakdown of risk remains largely unchanged within the year.

7.   Risk Acceptance, Escalation and Reporting

7.1   The Council's Risk Acceptance Model was revised as part of the overall refresh of the Risk Management Framework, as detailed in Section 3.11. In light of 'Future Council' efficiencies and the overall acknowledgement that during periods of austerity and fiscal pressure, the Council must be more willing to exploit opportunities (and therefore accept a higher degree of risk), the model was amended in order that both the *current* and *target* risk scores are considered as part of any escalation.

8.   Risk Recording / Morgan Kai Insight (MKI)

8.1   The maintenance and development of risk registers is an essential element in the implementation of the Risk Management Framework and the development of a Risk Management culture. Additionally, the ability to produce meaningful reports and statistics in relation to risks is a key element in the provision of assurance. A robust and accessible software system is essential for the satisfactory provision of these outputs.

8.2   During 2014 / 15 the corporate Risk Management system, MKI has been upgraded twice, and a significant improvement in terms of configuration and usability have been realised. The roll-out of the new system has been complemented by user training (when requested) and a revised user guide.

9. Guidance, Training and Facilitation

9.1 A series of Risk Management training and awareness sessions were delivered in June and July of 2014. These sessions focused on providing a broad reminder of the Risk Management process and helped identify opportunities where Risk Management can be used to exploit 'up-side' risk, or assist in the consideration of innovative solutions to effective service delivery. Around 60 senior officers attended the sessions, and positive feedback was received from the majority of attendees.

9.2 A risk management awareness session was delivered to the Fire and Pensions Authorities in November 2014. This session focused on the role of Members in scrutinising risk and governance activities in their respective areas of concern.

9.3 A BMBC Member training session was delivered in February 2015 to twelve members of the Overview and Scrutiny Boards. Again, the session appeared well received, with positive feedback having been recorded.

9.4 Specific training / workshops events have been delivered to officers for areas including the Tour de Yorkshire risk identification session, and Lessons learnt workshop and support to the South Yorkshire Fire Authority in terms of developing their own risk management arrangements.

9.5 Over 200 employees have now been trained to use MKI, and the programme of training officers to benefit from upgrades to the system will continue. This training will be greatly assisted by the BMBC produced MKI User Guide (see section 8.2).

9.6 The Risk Management intranet site continues to be updated on no less than a quarterly basis, which ensures the content, navigation and style is appropriate.

9.7 A further e-learning offer has been developed, specifically as an introduction to risk management for Elected Members, to complement the existing 'Introduction to Risk Management' training module, designed for officers.

10. Assurance and Performance Management

Integration with other Processes

10.1 Details of all significant risks logged in MKI are regularly passed to the Internal Audit Service to maximise opportunities to link Audit Planning with risk issues, to ensure the Internal Audit Service is undertaking a risk-based approach to the audit planning.

Annual Governance Statement (AGS)

10.2 The RMS has developed a revised Annual Governance Review (AGR) process for 2015 / 16, that provides a more proportionate and less process driven. The revised AGR process for 2014 / 15 was presented to the Audit Committee at the meeting dated 25/03/2015.

10.3   Analysis of the AGR returns will be undertaken later in 2015, followed by the production of the AGS, and its associated action plan for consideration by the Audit Committee.

Performance Management

10.4.   It is important that the success of the Risk Management Strategy can be measured, and in order to do so, revised performance indicators were developed as part of the significant review of the Policy and Strategy in 2014. It is proposed to provide updates against these revised indicators in future update and Annual reports. Details of these revised indicators are attached as Appendix One.

10.5   The annual independent review of Risk Management activities in 2013 / 14 by Internal Audit was undertaken in May and June 2014. The results of this audit provided the RMS with a 'substantial' assurance opinion for the year. It is envisaged that a further independent review regarding activities undertaken in 2014 / 15 will commence later in 2015.

11.   Risk Improvement Fund

11.1   The main objective of the Risk Improvement Fund is to provide financial assistance where appropriate for the development and implementation of risk improvement measures across all Council activities. The Fund was allocated a budget of £17,150 in 2014 / 15.

11.2   Bids to the Fund are initially examined by the RMS to ensure they address significant corporate or service risks, and propose effective treatment. Those bids that are approved are monitored and reviewed to ensure agreed risk improvement outcomes have been met. The table below summarises the spending against this fund during 2014 / 15:

Group:	Amount (£):
Smartwater – Corporate Schemes	6,178
Ward Green Primary School	708
Hoylandswaine Primary School	633
Newsome Avenue	2000
Tankersley Primary School	1,432
TOTAL	**10,951**

11.3   As part of ongoing budget saving processes, the fund has been reduced significantly, with a provision for 'asset marking' which is envisaged to cover future costs when the Council re-tenders the Smartwater contract in 2015.

12.   Culture

12.1   The prime objective of the Council's Risk Management Policy is to facilitate the management of risks (and benefits or opportunities arising) in accordance with best practice, through a culture where responsible, informed and

controlled risk taking is encouraged. In order to achieve this objective, the activities detailed in the RMS Workplan for 2015 / 16 specifically identify activities that will assist in building and improving the Council's own Risk Management culture.

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 help 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 key corporate risk.

13.2   The Financial Services business unit benefits from its own risk register that includes risks from all services within the business unit, and helps to ensure the successful delivery of the RMS Workplan.

14.   Financial Implications

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

15.   Employee Implications

15.1   Again, whilst there are no direct implications 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 specifically tasked with Risk Management functions, it is essential they are trained and supported to fulfil that role.

16.   Appendices

Appendix One: Revised Performance Indicators

17.   Background Information

Previous Audit Committee Reports
Risk Management Framework including Risk Management Workplans
MKInsight – Risk Registers
Training Records and Feedback

Contact Officer: **Risk and Governance Manager**
Telephone: **01226 77 3119**
Date: **21/05/2015**

Indicator	Quarter One: 01/04/2015 - 30/06/2015	Quarter Two: 01/07/2015 - 30/09/2015	Quarter Three: 01/10/2015 - 31/12/2015	Quarter Four: 01/01/2016 - 31/03/2016
Process:				
% of Services **completing Operational Risk Register Review on time**	-	-	-	-
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to **Leadership and Management**	2014/15: Assessed Level: '4: Embedded and Integrated' (Actual score 77: +0.6% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to **Policy and Strategy**	2014/15: Assessed Level: '5: Driving' (Actual Score 85: +6.9% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to **People**	2014/15: Assessed Level: '5: Driving' (Actual Score 85: +8.7% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to **Partnerships and Resources**	2014/15: Assessed Level: '3: Working' (Actual Score 65: -5.1% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to **Processes**	2014/15: Assessed Level: '4: Embedded and Integrated' (Actual Score 72: -5.5% deviance on national average)			
Changes to Risk Profile:				
Deviance from previous **Average Risk Category Score**	-	-	-	-
Outcomes:				
Maintenance / improvement of ALARM/CIPFA Benchmarking scores relating to **Risk Handling**	2014/15: Assessed Level: '3: Working' (Actual Score 49: -21.3% deviance on national average)			
Maintenance / improvement of ALARM/CIPFA Benchmarking scores relating to **Outcomes and Delivery**	2014/15: Assessed Level '3: Working' (Actual Score 50: -17.7% deviance on national average)			