# Southend-on-Sea Borough Council

**Report of the Chief Executive**

**to**

**Audit Committee**

**On**

**28th June 2017**

Report prepared by: Vanessa Bateman, Senior Manager

**Assurances and Continuous Development of the Risk Management Framework**

**Executive Councillor – Councillor Moring**

*A Part 1 Public Agenda Item*

## 1. Purpose of Report

1.1 To provide Audit Committee, whose delegated role it is to provide independent assurance of the adequacy of the Council's risk management framework, with:

- a briefing and positive assurances regarding the risk management arrangements within the Council; and

- an outline of the future plans to develop further and align the good work on Risk across the organisation so that the Risk Management approach is fully embedded supports governance framework, the transformation agenda and integrated decision making.

The approach being developed will be based on some core principles which will be refined during 2017/18 by the various actions outlined in the implementation/action plan. The rationale for the changes to the organisations approach is outlined in the Background section of the report.

## 2. Recommendation

2.1 It is recommended that Audit Committee note the assurances provided from this briefing, as well as the plans outlined and provide input and challenge to the direction of travel regarding the Council's risk management processes.

## 3. Background

3.1 In 2016/17, an internal audit assignment was included within the Annual Audit plan that aimed to focus audit resources, in a practical way, to supporting services whilst generating feedback that would inform possible decisions around how risk management could work going forward.

3.2 Central to this assignment, which was jointly commissioned by the Head of Internal Audit and the Group Manager - Policy, Engagement and Communication, was the understanding that reductions in Council resources means:

- all local authorities face increasingly difficult decisions regarding allocation of those finite resources and that there has never been a greater focus and attention on the decisions and resulting impacts on the community;

- time spent on all business processes needed to be 'added-value'; and

- doing nothing is not a sustainable option.

3.3    Feedback was provided to Corporate Management Team in March 2017 including the following observations:

- A strong understanding of risks being faced by individual Directors exists, but that this is not effectively captured within the formal risk management framework;

- The framework meets good practice, but it is inconsistently applied and therefore there is still work to do to embed it;

- There is embedded performance management throughout the organisation, but no link between this activity and the risk registers;

- There is a discipline around the production of the Corporate Risk Register, but the value of the process is not optimised;

- The Framework is not overly onerous on management, but there is a perception of bureaucracy;

- A good infrastructure of people resources to support implementation exists, but there is an over reliance on them in terms of responsibility for risk;

- The framework and approach should focus on horizon scanning and cascade of the emerging risk to the relevant parts of the business and developing criteria to help facilitate efficient escalation of risks; and

- There are gaps in assurance and insufficient evidence of the management of impact for some risks, despite the regular update and reporting.

3.4    A discussion took place at Corporate Management Team, which considered not only the observations raised, but also what the future needs of the organisation, were from its Risk Management arrangements, as an integral part of the Council's Governance Framework.  The Corporate Management Team requirements have informed a proposal that was subsequently agreed for further presentation to Members.

3.5    Workshops were held with officers from Policy, Engagement and Communication, Internal Audit and service business support teams, to inform the proposal that has been developed. The proposal is outlined within the next section of this report.

**'The Future'**

3.6    Appendix 1 contains the implementation/action plan commencing May 2017 and concluding March 2018.  It outlines a number of steps and actions that will be taken, as well as the expected timing of each.  As the Council's priorities for 2017/18 are already set, it seeks to:

1.  In the short term (by June 2017) to ensure that the risks captured at the Corporate Level are refreshed;

2. In the medium term (by December 2017) there is work to strengthen the risks captured at an operational level within services and that some effort to change the perception and language around risk is made; and

3. In the longer term (between November 2017 and March 2018) there is alignment of Strategic and Operational Planning processes with analysis of risk as a central driver at each stage of the process.

3.7 There are a number of core principles that will be central to this work, to ensure required outcomes are achieved. These include that:

- Risk Management is a positive value added activity, focused on achievement and successes, not a negative bureaucracy – by changing the perception and raising awareness Officers will have increased confidence when managing operational risks;

- Management are responsible for risk management and resources that support the framework are there to 'support and challenge' not 'own and do';

- Wider Member involvement in identifying and monitoring the most Strategic Risks the organisation faces would add value, the roles of the Audit Committee, Scrutiny and Cabinet are critical to robustness of the overall Framework;

- The Corporate Plan needs to drive the budget and service planning process;

- By getting the conversations happening with the right people, at the right time and in the right place, the processes to capture and report risks will be simple and part of business as usual; and

- The framework will seek to ensure joined up Strategic, Operational and Project Risk Management whilst recognising the differences between them.

3.8 The implementation plan assumes that external resource input will only be used to: upskill, support and challenge in house resources and/or where it is deemed independence is needed. The plan includes a suggestion as to whether the action should be led by an external or in house resource. It is likely that input from in house teams will be greater in 2017/18, but with the view that this is a short term investment and in future years the processes, including the wider Corporate policies and procedures of the organisation that are designed to manage risk, will be streamlined, embedded and therefore less resource intensive than in prior years.

3.9 The action plan identifies the need to review progress and next steps in December 2017. This will enable Corporate Management Team to ensure that the plan has been fully actioned to date and that the future steps are still relevant in terms of the action, timing and the method of delivery. This will be essential, as if the outcomes of the early actions in the plan are not achieved, progression to the more challenging later actions may be a waste of resources.

**4.     Corporate Implications**

4.1     Contribution to Council's Vision & Corporate Priorities

As Risks are simply 'the things that could prevent us from achieving our objectives' any action to ensure that the risk management approach is proportionate and embedded will undoubtedly have a positive effect on the successful achievement of objectives, either through improving outcomes or from achieving the outcome with less resource input.  It will also (through increased understanding of risk and confidence in the assurances available) enable management to exploit risks within the risk tolerance set by Senior Management and Members.

4.2     Financial Implications

There will be a cost to the implementation plan, but for the most part, this can be met by refocusing in-house resources currently involved with risk and assurance activity, both within management of services and the back office teams who support the business.

By aligning the input across the Council, there will be efficiencies that can be driven out and/or better outcomes from the time spent, which will save time in the long run both in services and corporate teams.

4.3     Legal Implications

None

4.4     People Implications

The Plan requires ownership of risk by Managers and Management Teams.  It requires the Senior Leadership Team to take on a more active role in the risks that are corporate in nature and requires the Corporate Management Team to focus on the very strategic risks of the organisation.   It requires the support services, both within the services themselves and the corporate teams to potentially refocus their own activities to support the Risk Management Framework in a more effective way.

4.5     Property Implications

None

4.6     Equalities and Diversity Implications

None

4.7     Risk Assessment

The risk of not managing 'risk' robustly is that objectives will not be met, or that the opportunities to make efficiencies in how outcomes are achieved across the organisation as a whole are lost.  Decisions themselves will be weaker and/or the ability to evidence robust decision making becomes more challenging.  By not agreeing the proposal, the organisation would need to accept the current approach as it stands or determine an alternative plan to address the observations resulting from the work already performed.

There is also risk in proceeding with this proposal. It is seeking to achieve a significant change in culture within the organisation and the changes themselves or the secondary changes to process, or allocation of resources, could be met with resistance from both officers and members and this would need to be managed.

4.8    Value for Money

The plan has been specifically developed so that the need for additional resource is minimised.  Many of the actions can be carried out using existing resource.  Minimising additional cost does however; require a commitment by CMT and their management teams to give internal communications, in relation to risk, increased levels of attention.

The Council has contractual relationships with providers of audit and assurance services who can provide any specialist support or additional capacity required.   These services are procured via framework agreements, which will seek to offer value for money for the services being procured.

4.9    Community Safety Implications

None.

4.10    Environmental Impact

None.

## 5.    Background Papers

The following documents are available on request:

a.  The 2016/17 audit brief;

b.  Presentation to CMT 22nd March 2017;

c.  Workshop (for audit and performance officers) material 23rd March 2017; and

d.  Report to CMT 19th April 2017.

## 6.    Appendices

6.1    Appendix 1 – Draft Implementation Plan May 2017