

Manchester City Council Report for Information

Report to: Audit Committee – 29 November 2022

Subject: Risk Management Strategy and Corporate Risk Register

Report of: Head of Audit and Risk Management

Summary

It is the role of the Audit Committee “to obtain assurance over the Council’s corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements”.

This report supports the Committee in discharging its risk management assurance role by providing:

- A copy of the latest refresh of the Corporate Risk Register.
- A summary of the approach being taken to respond to inflationary finance risks

Recommendations

The Committee is recommended to consider the assurance provided by the risk management report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

None

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
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None

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	<p>Risk management is an integral part of the Council's governance arrangements. It helps to inform good decision making and improves the likelihood of the Council achieving its objectives and managing untoward events.</p> <p>This contributes to being a well-run Council and indirectly to the achievement of organisational objectives and the Our Manchester Strategy.</p>
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue - None
Financial Consequences – Capital – None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents

are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Risk Update Audit Committee 14 June 2022

1.0 Introduction

- 1.1 It is the role of the Audit Committee “to obtain assurance over the Council’s corporate governance risk management and arrangements, the control environment and associated anti-fraud and anti-corruption arrangements”.
- 1.2 To support this responsibility, Audit Committee receive progress reports in relation risk management activity and key risks being monitored by the Strategic Management Team (SMT).
- 1.3 For the purposes of Audit Committee assurance this paper provides the following:
- Risks as articulated on the latest refresh of the Corporate Risk Register (CRR).
 - Key steps taken by the Council to respond to inflation risk.

2.0 Corporate Risk Register Update

- 2.1 In line with the timetable for periodic review, corporate risks were last discussed in detail at SMT in September and an updated CRR was considered in November.
- 2.2 Prior to the September and November 2022 refresh, the CRR from June 2022 comprised 5 high, 8 medium and 4 low risks. The highest scored risks on the register reflected key themes around financial resources; economy of the City; capacity / capability of the workforce to respond to current demands; climate change; and cyber security.
- 2.3 In their September review, SMT discussion focused on links between several risks on the register and the intersections between these. This led to a fundamental rewrite of the risks and the description of response actions. Financial risks relating to revenue budgets, contract costs and capital financial resources on the CRR from March 2022 were integrated into an overall finance (impact on the Council) risk. A risk on climate change was split into two new risks; one focused on Council actions towards zero carbon and the other on Citywide actions. This process affected the following eight risks from the March 2022 register which were incorporated into new or existing risks:

Medium term financial resources (high) Risk SR1	Included in new risk SR24 Finance and cost of living crisis– impact on the Council
Costs of capital and revenue contracts (high) Risk SR22	
Impact on the capital programme (medium) Risk SR14	
Economy of the City (high)	Included in new risk SR23 Finance and cost of living crisis – impact on businesses and the economy of the City
Climate change action (high) Risk SR3	Split into two new risks SR25 and SR26









Embedding case management systems (medium) Risk SR16	Included in new risk SR27 Delivery of digital and ICT strategy priorities
ICT systems not implemented or maintained (medium) Risk SR11	
Wellbeing, welfare, morale of staff (low) Risk SR5	Included in risk SR6 Capability/capacity of workforce

- 2.4 A risk relating to increases in covid19 infection rates impacting on the ability to deliver priorities and safe services to Manchester residents whilst also ensuring the safety and wellbeing of staff was removed as this was not assessed as a corporate risk
- 2.5 The review highlighted a range of concerns over the impact of inflation, rising interest rates and energy price rises on the Council but also on the local economy and on residents. The cost-of-living crisis was the key theme that was discussed with an acknowledgement that the response to the issues presented by the crisis and related risks was complex and multi-faceted.
- 2.6 Discussion included the possible impact of the crisis on the wellbeing of staff. Whilst it was acknowledged that there had been positive progress in many aspects of wellbeing including recognition of Manchester as Council of the Year, it was important to retain this risk on the CRR as part of the 'capacity and capability of the workforce' risk to ensure that visibility was sustained pending feedback from the current staff survey.
- 2.7 The risk on health and care governance was also revised and refocused on outcomes for adults and children rather than structural change, albeit it is acknowledged that work to embed the Integrated Care System and Integrated Care Board and the Place Based Partnership for Manchester is ongoing. The rating of this risk has been reduced to reflect positive outcomes of Ofsted and Care Quality Commission reviews of Children's and Adults Services in 2022.

3.0 Corporate Risk Register (CRR)

- 3.1 The CRR is not intended to cover all risks but to focus on those that are cross cutting and of strategic impact. Risks such as recycling and waste (Neighbourhoods), delivery of the Better Outcomes Better Lives Programme (Adults), presentations (Homelessness), school place planning (Children's and Education) and benefits caseload (Core) are managed at directorate or service level.
- 3.2 A summary of the risks agreed at SMT in September 2022 are as follows:

Risk Title	Sept 2022 Impact x Likelihood	Movement	Previous June 2022
1. Finance and cost of living crisis – impact on residents	4x4=16 High		New
2. Finance and cost of living crisis – impact on the Council	4x4=16 High		New

Risk Title	Sept 2022 Impact x Likelihood	Movement	Previous June 2022
3. Delivery of climate change action – Citywide	4x4=16 High		New
4. ICT Resilience and Cyber security	4x4=16 High		16
5. Scale and type of housing in the City not sufficient to meet demand	4x4=16 High		12
6. Capability/capacity of workforce	4x3=12 Medium		12
7. Health and care outcomes for adults and children and social care reform	4x3=12 Medium		16
8. Delivery of digital and ICT strategy priorities	4x3=12 Medium		New
9. Finance and cost of living crisis – impact on businesses and economy of the City	3x3=9 Medium		New
10. Delivery of climate change action – Council	3x3=9 Medium		New
11. Failure of key suppliers and supply chain disruption	3x3=9 Medium		9
12. Safeguarding children and vulnerable adults.	4x2=8 Medium		8
13. Equality, Diversity and Inclusion in the design of services and across the workforce	4x2=8 Medium		8
14. Serious avoidable data loss	2x3=6 Low		6

4.0 Inflation Risk

- 4.1 A critical area of risk relates to finance and the cost-of-living crisis. This has implications for residents and for the economy of the City and some direct impacts on the Council including the costs of borrowing and the increasing budget pressures caused by inflation costs on supplies, utilities and pay. In response to the ask for further information on the Council's response some additional information is set out below.
- 4.2 In respect of the cost-of-living crisis, the infrastructure that was enhanced as part of the response to the pandemic has been reinstated with the Cos-of-Living Free Advice Line up and running since early October and Helping Hands Manchester updated on the website. Additional funding of £14.6m has been allocated for 2022/23 including the Household Support Fund 3 as well as a proposed £1.7m of additional Council resources. As well as the citywide response Teams Around the Neighbourhood (TANs) are coordinating the local

response with partner & VCSE organisations, with a particular focus on the wards, which are most affected.

- 4.3 As part of the budget process there is a proposed £3.55m for 2023/24 and beyond to support our most vulnerable residents, and the Government have announced a further allocation of £1bn of the Household Support Fund for 2023/24 as part of the Autumn Statement. These proposals are set out in full in the recent Budget Report to November Executive and include the following:

	2023/24 Proposed £000	Comments
Food response	1,000	Working with the Community Food Partnership the majority will be invested in ambient stock and storage which all food providers in the city can access. In addition, there will be targeted support in the 11 priority wards where there is greatest need /vulnerability to the cost-of-living crisis.
Local Welfare Provision	600	Additional funding for the Local Welfare Provision scheme operated by the Revenues and Benefits Service. This scheme helps cover essential costs for households in crisis including one-off crisis cash payments and basic white goods & furniture for residents moving from temporary to permanent accommodation.
Other Welfare Schemes	50	Additional support for S17 payments to vulnerable families and for care leavers.
Discretionary Housing Payments	1,000	This is to reinstate the previous budget reduction in this area due to the growing demand for support. The primary aim to support people in their own tenancies and to stop people from becoming homeless.
CHEM	200	Covid Health Equity Manchester to support Communities experiencing racial inequality and other inequalities more likely to be impacted by the cost-of-living crisis
Support to VCSE	500	Additional support to increase the capacity of the VCSE sector to respond to the COL crisis in the wards most affected and citywide
Expand advice & debt support offer	200	Additional investment to expand the advice & debt support offer with a focus on residents who are in the private rented sector
Total	3,550	

- 4.4 In addition, support has been put in place for Council staff who are struggling with the cost of living. This includes links to advice for residents and other sources in key risk areas such as money, energy costs and loans. It includes an intranet site with resources in one place to help remind staff of the benefits of working for the Council including the MCR+ discount scheme and access to childcare vouchers as well as links to support for health, wellbeing and employee assistance.

- 4.5 Manchester has been accredited as a real living wage organisation for some years and in October was accredited as a Living Wage City. We are working with employers across all sectors to encourage them to become Living Wage accredited, as part of our response to addressing in-work poverty. Commitments have already been made, with additional funding included in the 2022/23 budget to paying staff in social care the real living wage and so had sought to address some of the emerging cost pressures in this sector.
- 4.6 The costs of inflation and the recent pay award have had a significant impact on the budget, costing an additional £58m over the period 2022/23 to 2024/25, an additional £42m to be found as part of the 2023/5 budget process. The current year budget was set in February 2022, prior to the Russian invasion of Ukraine, and the amounts factored in for increased energy costs to reflect the increases in demand following the pandemic were not sufficient to cover the total additional cost. This is the main driver behind the in-year overspend and the budget monitoring process, which provides an early forecast of the position, has enabled some corrective action to be taken. The Council operates a robust 5-year medium term financial plan and budget model, which allows different scenarios to be planned for and the future inflation risks are fully allowed for in the budget process.
- 4.7 The Council also holds reserves in order to manage financial risk and to smooth the use of any one-off funding. The sound management of reserves and the finances overall, has provided some resilience to fund the immediate pressures. In the meantime, this allows the Council to develop strategies to meet budget shortfalls in a planned way that seeks to protect services from such external shocks. The use of the smoothing reserves enables this approach and forms part of the overall financial strategy of the Council.
- 4.8 The Council spends around £600 million a year in revenue and £300 million in capital with third party suppliers. These contracts have a significant impact on the local and regional economy, the provision of services to residents and in the delivery of Council services. The council has instigated a number of new arrangements to improve its approach to Contract Management development of Contracts Registers for all directorates, ranking all contracts as Gold, Silver and Bronze depending on their criticality to Council objectives and the Commercial Board now receives a report on Procurement and Commissioning as a standing agenda item.
- 4.9 The Social Value Contract and Commissioning Group meets on a monthly basis and provides a forum to address common issues including contract management, the new procurement regulation and inflationary pressures caused by unprecedented energy price increases and recruitment and retention difficulties for various types of employees. The council's own contracts generally do not include any right for a supplier to an uplift for inflation and there is an expectation that suppliers will take action to mitigate and absorb any inflation increases. There is scope for a supplier to make representations for increases in exceptional circumstances as part of normal contract management discussions. This also happens if discussions are taking place over an option to extend a contract. It is recognised that the current

circumstances are exceptional, and it has not been appropriate to flatly refuse to consider price increases as this could lead to cancellation of contracts as suppliers are unable to fulfil their obligations which would lead to disruption of services. Note some contracts have been let under a national or regional framework where inflationary increases may be baked into the framework terms and conditions and outside of the council's control.

- 4.10 Recent developments include the establishment of a Major Contracts Oversight Board, the launch of the corporate Due Diligence Framework and the streamlining of online solutions, providing analysis of a company's financial health. The Council has also just been to tender for an electronic Contract Management system and is on the point of awarding the contract which will, when implemented, ensure that the management of the council's contracts is consistent and at a high standard.
- 4.11 In relation to capital financing, where there has been an increase in the interest rates across the UK and the world, the Council has set aside sufficient budget to allow the current capital budget to be financed which has meant that the current approved programme can be delivered within the existing resource base. However, construction inflation and higher prices generally, a higher cost of borrowing, and suppressed asset values as a result of recession, will impact on the Council's future capacity to fund major capital schemes. This will be managed through a revised capital governance process and Strategic Asset Management Plan. This will allow the Council to manage the tighter resources for the future programme to ensure it is prudent, affordable and sustainable.

5.0 Recommendation

- 5.1 The Committee is recommended to consider the assurance provided by the risk management report.

Appendices:

Appendix 1 – Corporate Risk Register

Appendix 2 – Glossary of Terms and Assessment Criteria