

**Manchester City Council
Report for Information**

Report to: Audit Committee – 23 April 2024

Subject: Risk Management Strategy

Report of: Assistant Director, Assurance and Risk

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 refreshed Risk Management Strategy.

Recommendation

Audit Committee is asked to consider the assurance provided by the refresh of the Risk Management Strategy.

Wards Affected: All

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

There are no direct impact of this strategy on the zero carbon target for the City but risk management is a core element of the Council’s governance arrangements. Effective risk management supports informed decision making, helping the Council capitalise on opportunities and minimise hazards, including those that relate to zero-carbon activities.

Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Risk management is a core element of the Council’s governance arrangements. Whilst this report and the risk management strategy has no direct impact, effective risk management contributes to Manchester being a well-managed Council that is well placed to
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	help achieve zero carbon objectives and the outcomes of the OMS.
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	

Contact Officers:

Name: Tom Powell
Position: Assistant Director, Assurance and Risk
Telephone: 0161 234 5273
E-mail: tom.powell@manchester.gov.uk

Name: Tom Wilkinson
Position: City Treasurer
Telephone: 0161 234 3087
E-mail: tom.wilkinson@manchester.gov.uk

Background documents (available for public inspection):

None.

1. Introduction

- 1.1. 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”.
- 1.2. To support this responsibility, Audit Committee review the risk management strategy and should receive updates on the corporate risk register.

2. Background

- 2.1. Having adapted risk management processes effectively during the pandemic, the formal governance and reporting of risk management across the Council has lacked consistency and was agreed with Strategic Management Team as an area for improvement. The last formal update of the Corporate Risk Register presented to Audit Committee was over 12 months ago and the Annual Governance Statement process has affirmed the need to increase awareness and engagement in formal risk management across the Council.
- 2.2. Risk management is an area that is integral to good governance and has been highlighted as an omission in a number of the public interest and Section 114 reports over the last 18 months.
- 2.3. Given this context, and to strengthen arrangements the risk management strategy has been refreshed based on exemplars across local government and the public services.

3. Key Points of the Strategy

- 3.1. The Strategy confirms a number of key principles and provides more detail on the process for risk review and reporting for 2024/25. These include:
 - the process for review of risks at Directorate and Strategic Management Team (SMT) levels and for reporting to Audit Committee.
 - the process for Directorate risk leads to work with the Assistant Director (Assurance and Risk) in ensuring that risks are updated quarterly and to contribute to the content of the corporate risk register for SMT review and approval.
 - more detail regarding risk appetite. The last Strategy referred to the risk appetite for the Council as being tolerant. This strategy breaks that down into more detail to aid decision making.
 - a three-tiered approach to risk reporting. This process recognises that the Council is exposed to some risks, such as financial resources, demand for care services and cyber security, that are inherent in the environment in which we operate and are assured through established governance arrangements.
- 3.2. This strategy is being rolled out initially through Directorate Leadership Team sessions and a plan of training and awareness for services is in development for delivery from June 2024.

3.3. The Assistant Director (Assurance and Risk) and the Risk and Resilience Lead will directly support directorate risk register updates with DLTs every three months. For the next update we will incorporate risks already captured as part of the business planning process. The outcome of this process will be reported to Audit Committee in June 2024.

4. Recommendation

4.1. Audit Committee is asked to consider the assurance provided by the refresh of the Risk Management Strategy.

Appendix 1 Manchester Council Risk Management Strategy and Framework

Purpose

The Our Manchester Strategy 2016–2025 set out the future for Manchester and the goals that everyone in our city – our public, private, voluntary and community organisations and our residents – will work on together to put Manchester in the top-flight of world cities by 2025. Our focus is on Manchester being:

- A Thriving and Sustainable City
- A Highly Skilled City
- A Progressive and Equitable City
- A Liveable and Zero-carbon City
- A Connected City

The Council is central to this ambition and our priorities in supporting this are set out in our Corporate Plan. Strong risk management arrangements are essential to ensure we identify, evaluate and manage the potential threats and opportunities that may stop us from achieving our vision for the City.

Strategy Statement

Risk Management is defined by the Council as:
‘The planned and systematic approach used to identify, evaluate and manage the whole range of risks and opportunities facing the Council’.

How we describe risks is important to ensure we all understand, evaluate and manage them appropriately. All risks comprise a cause, an event and an effect for example: There is insufficient available housing which means the demand for affordable housing is not met and the strategic priority to ensure the needs of current and future residents of the city are not achieved.

Risks are distinct from issues which are challenging events that have already occurred or is currently occurring such as a cyber-attack or significant asbestos identified in housing stock.

We manage risks in line with our Risk Management Strategy which is:
“to support the Council in delivering high quality services by helping managers to pursue opportunities, respond to threats and manage significant sources of uncertainty”.

Risk is a part of everything we do; it is inextricably linked to opportunities and innovation. Risks need to be identified and managed effectively to secure the best use of our resources.

The management of risk is an essential component of performance management and represents good governance. We need to be realistic and open about the risks that the Council faces and ensure that risk registers are updated and used for real-

time management purposes. The Council's Senior Management Team (SMT) recognises the importance of risk management and actively review and monitor the strategic risks that the Council faces.

Risk Management

Risk Management is a series of co-ordinated activities by which risks are identified, evaluated, managed, reported, and monitored on a regular basis. The risk management process helps us to:

- Understand the nature of the risks faced and 'what could go wrong'.
- Ensure we all appropriately aware of the extent of these risks.
- Determine how much risk we are prepared to take - risk appetite - accepting that measured and proportionate risk taking is essential to delivery change, growth and reform.
- Recognise our ability to control and reduce risk, including identifying risks that cannot be controlled.
- Take action where possible, to avoid something going wrong and to minimise the impact if it does-based on the best use of the resources.

Objectives

The objectives of the Council's risk management strategy and framework are to:

- Support the achievement of ambition and priorities.
- Help coordinate directorate and corporate responses to risk.
- Give confidence to residents, partners, stakeholders, regulators etc.
- Anticipate and plan responses to pressures, problems and crises.
- Communicate and share risk information to aid decision making.
- Protect people and assets from harm.
- Ensure controls are in place which respond to the changing environment and help efficiency and effectiveness of operations.
- Ensure losses from waste, damage, penalties and fraud are minimised.
- Ensure opportunities are explored and managed alongside risks.
- Inform policy and decision.

These objectives will be achieved by:

- Maintaining and developing risk literacy and understanding relevant to roles.
- Clearly defining accountabilities, responsibilities and reporting lines for risk management.
- Strategic Management Team, Directors, Directorate Leadership Teams and Heads of Service providing leadership and support on risk.
- Maintaining assessments of risks linked to the Council's priorities, corporate and service objectives and the actions being taken to manage these.
- Determining risk appetite, acknowledging that given the complexities of local government there is no single fixed risk appetite.
- Agreeing plans and taking action where levels of risk need to be reduced
- Including risk management issues when writing reports and considering decisions.

- Developing a clear and consistent approach to support the communication and escalation of risks.
- Monitoring arrangements continually and seek continuous improvement.

Our Approach

Risk Culture and Appetite

The Council accepts risk is present in everything that it does across all its services, operations, activities and in the decisions taken. However, the level of risk needs to be controlled and measured, within the boundaries of available resources and legislative/regulatory requirements.

Effective and meaningful risk management is about taking a balanced view to managing opportunity and risk. A crucial element of this is for risk owners to have a clear understanding of the risk appetite.

Risk Appetite is defined as ‘the amount and type of risk that Manchester City Council is willing to seek or accept in the pursuit of agreed strategic objectives and key priorities’.

This appetite helps to guide our approach to decision-making alongside our agreed framework of behaviours that state:

- We work together and trust each other.
- We’re proud and passionate about Manchester.
- We take time to listen and understand.
- We ‘own it’ and aren't afraid to try new things.
- We show that we value of our differences and treat people fairly.

Given the complexities of local government and our organisation there is no single fixed risk appetite. Overall our appetite ranges between cautious and tolerant. This means accept and acknowledge that measured and proportionate risk taking is essential to delivering change, growth, and reform but also understand there are certain areas where we have low tolerance and expect minimal exposure to risk, for example Safeguarding.

We expect all risks to be managed to a level that is within this stated appetite. To help assess and understand risk appetite, aid decision making and support analysis and reporting we use the themes under which risks are grouped.

Our Partnerships	Primary impacts on delivering outcomes through partnerships and key suppliers at national, regional, GM, City or local level.
Our People	Primary impacts linked to the workforce capability, capacity, skills, motivation and engagement.
Our Performance	Primary impacts on delivering on stated priorities, targets and agreed performance standards.

Our Finances & Resources	Primary impacts on financial and other (non-workforce resources) including ICT, information and premises
Manchester People	Primary impacts on Manchester residents, service users and those who engage with universal or specialist series across the City; including children and adults.
Manchester Places	Primary impacts on Manchester neighbourhoods and place, including infrastructure, transport, housing, leisure and other universal services for residents and visitors.
Statutory & Legal Duties	Primary impacts on legal duties and compliance with legislation

The appetite statement to be used to inform risk review, evaluation and action planning is attached at Appendix A.

Risk Management Process

The risk management process enables us to systematically assess what may affect the ability to achieve objectives through a continuous four stage process:

Identify risks to the achievement of strategic aims, business objectives, governance and regulatory requirements.

Describe the risk using the format: "cause results in event that has an effect".

Risks assigned to a named, accountable owner

Assign risk theme and the associated risk appetite for this theme

Describe the current controls in place to manage the risk

Risks will be identified at Strategic Directorate, Service or Programme / Project level using the formats at appendix B.

Analyse risk by in terms considering (i) probability - how likely the risk is to occur

From very unlikely / rare to almost certain

(ii) impact - the potential consequences.

From very low to critical impact

Both probability and impact should take into account the controls already in place to manage/ mitigate the risk.

Score the risk using a 5 x 5 matrix (see appendix C)

Compare the risk score to the risk appetite and determine with the risk owner if additional, actions are needed to manage or control the risk.

Monitoring and reporting involves the regular review of risk assessments to determine if scores remain valid, ensure new risks and opportunities are considered, monitor controls and agree new actions where appropriate.

If risks are increasing then consideration should be given to escalation and if reducing then de-escalation should be considered – to ensure risks are being review and managed at the most appropriate level. A decision to remove risk should be recorded in the register at the time of approval and then removed once that decision has been taken.

Risks are escalated to the DRR through the relevant AD / Head of Service and to the CRR through the relevant Chief Officer.

For corporate and directorate risk registers this must be at least quarterly. Services, programmes and projects should agree review periods with the Service Head or Senior Responsible Officer.

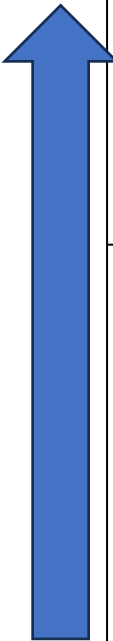
Risks should be integrated into processes such as business planning, performance

To **manage and control the risk** consider the most appropriate response:

- **Treat** – by adding new controls
- **Tolerate** – accept the risk as is
- **Transfer** – to a third party or insurer
- **escalaTe / de-escelaTe** – to another risk register
- **Terminate** – stop the activity
- **Take** – accept the risk and take the opportunity

Additional controls and actions need to be specific and timebound (think SMART).

Plans can assign officers responsible for actions but the risk owner remains accountable for assuring these actions have taken place.



reporting and in reports used to support decision making.



Delivery of Risk Management

The Assistant Director, Assurance and Risk (AD), who reports to the City Treasurer is responsible for overseeing the Risk and Resilience Team and the delivery of the Risk and Resilience service plan.

The AD and Risk and Resilience Team will review all Directorate Risk Registers and with input from a lead officer in each Directorate Leadership Team will propose Corporate Risks, via the Corporate Risk Register (CRR), quarterly to SMT.

The DLT leads will also input to the ongoing review of risk appetite to be agreed by SMT.

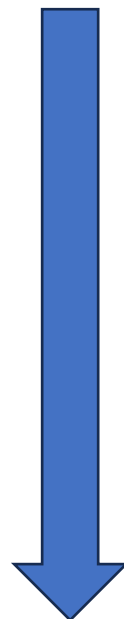
The AD and Risk and Resilience Team will support Directors and Managers in their assessment and monitoring of risks at other levels.

The Risk and Resilience Team are responsible for; the co-ordination of the risk management framework, and risk management training and awareness throughout the council to ensure an effective embedded risk management culture in all Directorates, Services and Partnerships.

All managers are required to ensure that risk scrutiny and review are constant and ongoing, supported by regular risk reviews, reporting and escalation where appropriate. (See Appendix D for Risk Management roles and responsibilities).

This is the annual timetable for formal review of risks;

	Level	Frequency	Q1	Q2	Q3	Q4
Programmes and Projects Update Risks	A	Ongoing	In line with programme / project governance			
Service Management Teams update risks	A	Quarterly	March	June	Sept	Dec
DLTs update risks	B	Quarterly	April	June	Sept	Dec
HARM and DLT Leads propose the CRR	C	Quarterly	May	July	Oct	Jan
SMT review and endorse the CRR	C	Quarterly	May	Aug	Nov	Feb
Audit Committee receive the CRR	C	Quarterly	June	Sept	Jan	March

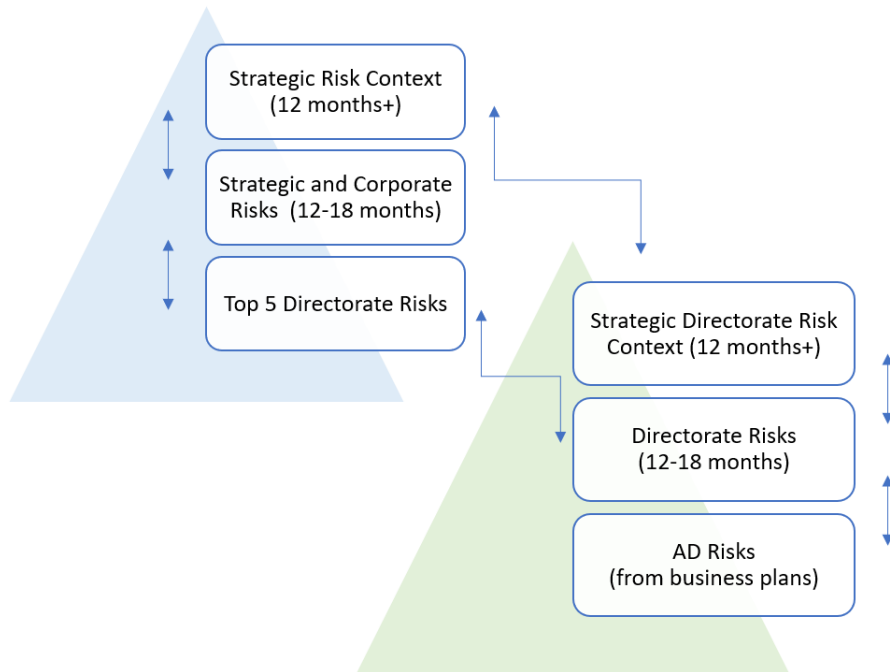


SMT and Audit Committee review risk arrangements	C	Annually	January
--	---	----------	---------

A = Service risk registers – Business Plan level risks, including those for programmes and projects, are those of a more operational nature. Risks at this level are reported to the respective Service Management Teams and align to the approved business plans. Risks at this level may also be informed by Programme/Project Boards. Should a service level risk increase in significance, it may need to be escalated onto the directorate or even the corporate risk register.

B = Directorate risk registers - Directorate risks are those that require the attention of the respective Directorate Management Team (the Director and Chief Officers). Directorate risks may be local versions of those on the corporate risk register e.g. directorate budget or information management and governance, articulating in more specific terms how the directorate manages the risk as it relates to their services. Other risks may reflect issues specific to that directorate. Should a directorate risk increase in significance, to the extent that it may have a corporate impact, the risk may need to be escalated to the Corporate Risk Register. Chief Officers are responsible for sharing their risk registers with relevant Executive members for assurance purposes.

C = Corporate risk register - Corporate risks are those of significant, strategic and cross-cutting importance that require the attention of the council's most senior managers and elected members. Each of the corporate risks has an accountable officer (named risk owner) who is responsible for obtaining assurances that the risk is being managed – they will not take all the actions but lead on collating updates on actions and assurances.



Monitoring and Review

The Risk Management Strategy and Framework will be reviewed and updated. The annual review process will be complimented by the production of an annual risk management performance report for SMT and Audit Committee.