AUDIT & STANDARDS COMMITTEE	Agenda Item 38
	Brighton & Hove City Council

Subject:		**Corporate Risk Assurance Framework 2017-18**
Date of Meeting:		**9 January 2018**
Report of:		**Executive Lead Officer, Strategy, Governance & Law**
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Ward(s) affected:		**All**

FOR GENERAL RELEASE

1.   PURPOSE OF REPORT AND POLICY CONTEXT

1.1   The Corporate Risk Assurance Framework (CRAF) 2017-18 provides an annual 'snapshot' of how the council manages risks which affect its achievement of the Corporate Plan and objectives in Directorate Plans.

1.2   The CRAF is designed to:
- help the council avoid costly mistakes, better protect our reputation and contribute to keeping the council safe
- support managers to obtain the assurance they need to plan and deliver their services
- inform the planning of Internal Audit work
- demonstrate how the council meets requirements for Corporate Governance[1], and provide evidence for the Annual Governance Statement.

1.3   In January each year, the CRAF; Strategic Risk Register (SRR) and Directorate Risk Registers (DRRs), which provide the evidence for Internal Audit's assessment of the assurance levels in the CRAF, will be reported in full in as these documents underpin the Annual Governance Statement.

1.4   Any further changes to the SRR from this point until January 2019 will be reported to the Audit & Standards Committee as part of the quarterly Risk Focus item reports

2.   RECOMMENDATIONS:

That the Audit & Standards Committee:

2.1   Note the Internal Audit opinion of assurance levels on the third line of defence within the CRAF at Appendix 1 and agree for Internal Audit to update these

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[1] Corporate Governance requirements are detailed in the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive (SOLACE), copyright @ April 2016; including extracts from the International Framework: Good Governance in the Public Sector, copyright @2014 CIPFA and International Federation of Accountants (IFAC).

where other sources of assurance have been identified by Risk Owners in the Strategic and Directorate Risk Registers in advance of finalising the Annual Governance Statement for 2017-18

2.2   Note the full Strategic Risk Register Report at Appendix 2.

2.3   Note the full Directorate Risk Register Report at Appendix 3.


3.   CONTEXT/ BACKGROUND INFORMATION

Reason for Governance and CRAF

3.1   Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and delivered.

3.2   The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.

3.3   The CRAF requires the council to be active and have arrangements in place through its senior officers for robust arrangements for managing its business and keeping the council safe. It has three elements: Governance, Risk Management and Assurance which structure its delivery of outcomes and processes, its values and organisational culture. All of these elements are inter-related and are crucial to the success of the council as they affect its reputation with stakeholders.

3.4   The CRAF has involved mapping assurance across the organisation, the policies and procedures which lay the foundation of our activities, Strategic Risks identified by the Executive Leadership Team (ELT); and through the Directorate Risks which relate to planning and delivery of services to customers.

3.5   These arrangements need to be clearly explained and demonstrated and will be reported each year in the Annual Governance Statement which is published alongside the council's annual accounts and made publicly available.

3.6   The CRAF provides a strong evidence base for the AGS; and the more holistic approach of the CRAF has brought an appreciation of the value of the wider risk management process given that the amount of risk that the council holds is increasing, as budgets become tighter.

Good Governance International Framework

3.7   The CRAF is based on the work undertaken by the Chartered Institute of Public Finance Accountancy (CIPFA) and the International Federation of Accountants (IFAC) on an 'International Framework: Good Governance in the Public Sector.

3.8   The document's foreword explains that the 'Framework is novel in a number of ways, in particular its positioning of the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures' …and …' the need for integration in both the reporting of and thinking about organisational performance'.

3.9   The Good Governance Framework is set out in the diagram below:
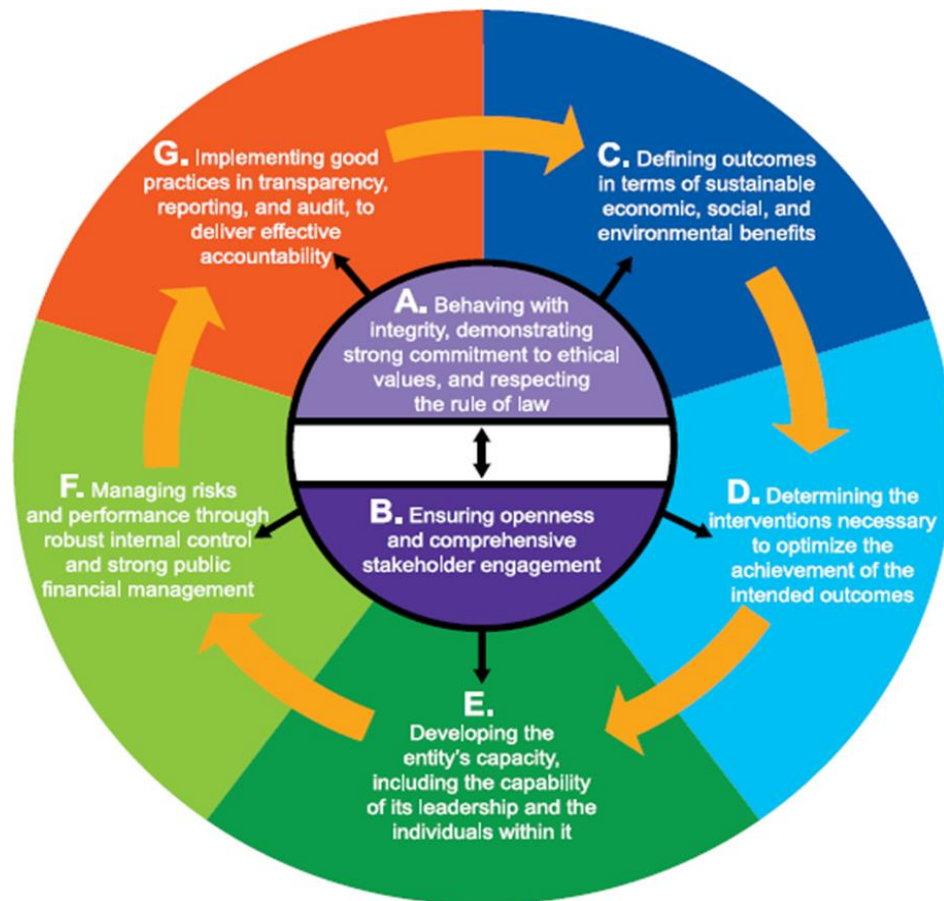
Assurance Mapping and the Three Lines of Defence Model

3.10   Assurance is the means by which an organisation gains confidence that it has robust arrangements in place and that it is managing its risks effectively. The council has a large number of sources of assurance including management controls, compliance focused teams, such as health and safety, internal and external audit and external regulators.

3.11   The Three Lines of Defence model was introduced at the council in June 2016 but it has been practiced for a number of years, particularly within financial services, central government and the NHS. It identifies 3 levels of assurance within an organisation:

C.R.A.F.
Three lines of defence model

Activity: by whom   **Assurance**

Third line of defence
Independent Assurance

Includes internal audit activity and other sources of assurance including external regulators e.g. OFSTED | Provides independent assurance for senior management and members about the effectiveness of the first and second lines of defence.

Second line of defence
Oversight of management activity

Separate those responsible for delivery, but not independent of the organisation's management chain. Includes compliance assessments or reviews carried out to determine that policy or quality arrangements are being met. | Provides management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It will be distinct from and more objective than first line assurance.

First line of defence
Within 'front-line' or business operational areas

Arrangements Within 'front-line' or business operational areas to gain assurance on how well objectives are being met and risks managed. Includes good policy and performance data, monitoring information, risk registers and reports on the routine system controls. | Provides assurance that performance is monitored, risks identified and addressed and objectives are being achieved. This type of assurance may lack independence and objectivity, but its value is that it comes from those who know the business, culture and day-to-day challenges.

3.12   Assurance mapping benefits organisations by providing an overview of sources of assurance and existing processes. It provides:

- A structure to ensure that proper controls are in place
- The confidence that checks are in place for all areas of control
- The knowledge that the organisation is making best use of the assurance process, i.e. all areas are checked by someone and duplication is avoided.

3.13   The 2017-18 CRAF focuses on the third line of defence. The assurance (RAG) rating in this report is based on the work of internal audit in the preceding financial year (2016/17) and the current financial year to date (2017/18). For the year end Annual Governance Statement it will include Internal Audit view of information from other third parties which provide assurance on the third level of defence.

The link between the CRAF and Risk Management practice

3.14   Risk Management helps an organisation to identify, prioritise and manage risks which affect achievement of it objectives, including the take up of opportunities.

Risk Management is a 'mindset' and a process to 'think things through' in planning, and to respond to challenges with more effective actions.

3.15 The Risk Management Process used at the council involves use of risk categories, risk scoring guidance, risk matrix, risk register etc. and is supported by the annual Risk Reporting Timetable which details the quarterly review dates undertaken by the ELT and Directorate Management Teams to re-assess risk registers.

3.16 The SRR and DRRs are updated quarterly by Risk Owners and Risk Action Leads in accordance with the Risk Reporting Timetable and reviewed at Executive Leadership Board for SRR) and Directorate Management Teams for DRRs and relevant SRs and SR Risk Actions owned by an Executive Director.

3.17 The CRAF has enabled Risk Management to demonstrate more fully its contribution and fundamental inclusion in the planning and delivery of activity.

3.18 Risk Management is the second of 8 elements of the Council's Performance Management Framework.

Strategic Risk Register review by the ELT 22 November 2017.

3.19 This table sets out in order of Revised Risk Score. Note that the risks scores on the SRR were not changed not changed by ELT on 22 November 2017. For more detail of actions taken, see Appendix 2.

Risk Nos	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I) & Direction of Travel	Lead Member
SR31	Schools unable to manage their budgets	4 x 4 ◄► 🔴	4 x 4 ◄► 🔴	Dan Chapman
SR2	Council is not financially sustainable	5 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Les Hamilton
SR10	Information governance failures leading to financial losses and reputational damage	4 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Les Hamilton
SR13	Not keeping Vulnerable Adults Safe from harm and abuse	4 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Karen Barford
SR15	Not keeping Children Safe from harm and abuse	4 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Dan Chapman
SR17	Ineffective school place planning	4 x 3 ◄► 🟠	3 x 4 ◄► 🟠	Dan Chapman
SR20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	4 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Karen Barford
SR21	Unable to manage housing pressures	4 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Anne Meadows
SR30	Failure to demonstrate Place Based Leadership, unable to promote the City-Region's business economy, employment & training opportunities; a poor reputation in delivering value for money for the business rate payer.	3 x 4 ◄► 🟠	3 x 4 ◄► 🟠	Warren Morgan

Risk Nos	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I) & Direction of Travel	Lead Member
SR24	The impact of Welfare Reform increases need and demand for services	3 x 4 ◄► (orange)	4 x 3 ◄► (orange)	Les Hamilton
SR23	Unable to develop an effective Investment Strategy for the Seafront	5 x 4 ◄► (red)	3 x 3 ◄► (orange)	Alan Robins
SR25	The lack of organisational capacity leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 4 ◄► (orange)	3 x 3 ◄► (orange)	Les Hamilton
SR26	Not strengthening the council's relationship with citizens	3 x 4 ◄► (orange)	3 x 3 ◄► (orange)	Emma Daniel
SR32	Sub-standard health & safety measures lead to personal injury of staff or residents, financial losses and reputational damage	3 x 5 ◄► (red)	2 x 5 ◄► (orange)	Les Hamilton
SR18	Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles	3 x 4 ◄► (orange)	2 x 4 ◄► (orange)	Les Hamilton
SR29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 4 ◄► (orange)	2 x 4 ◄► (orange)	Les Hamilton

Directorate Risk Register as reviewed by Directorate Management Teams (DMTS) in October 2017

3.20 The council has six Directorates:
1. Economy; Environment, Culture (EEC)
2. Families, Children & Learning (FCL)
3. Finance & Resources (now part of the Orbis Partnership including Surrey County Council and East Sussex County Council)
4. Health & Social Care (HASC)
5. Neighbourhoods, Communities & Housing (NCH)
6. Strategy, Governance & Law (SGL).

The summary table below sets out the results of the reviews undertaken in October 2017 of every Directorate Risk (DR) contained in Directorate Risk Registers. For more information see Appendix 3.

| Risk Nos	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I) & Direction of Travel	Lead Member
EEC DR 01	Digital capability not in place to meet customer expectations	5 x 4 ◀▶ 🔴	4 x 4 ▲ 🔴	Gill Mitchell
EEC DR 03	Directorate income and budget targets are not met	5 x 4 ◀▶ 🔴	3 x 4 ◀▶ 🟠	Gill Mitchell
EEC DR 05	Loss in resilience of the city's transport infrastructure	4 x 4 ◀▶ 🔴	3 x 4 ◀▶ 🟠	Gill Mitchell
EEC DR 07	Major regeneration & infrastructure projects are not strategically co-ordinated	3 x 4 ◀▶ 🟠	3 x 3 ◀▶ 🟠	Alan Robins
EEC DR 12	Failing to make a convincing case for investment in city region	4 x 3 ◀▶ 🟠	4 x 3 ◀▶ 🟠	Alan Robins
FCL DR 01	Service redesigns do not deliver intended outcomes	3 x 5 ◀▶ 🔴	3 x 3 ◀▶ 🟠	Dan Chapman
FCL DR 02	Changes in effective partnership working (including their budget pressures) adversely affects our service delivery	4 x 5 ◀▶ 🔴	3 x 3 ◀▶ 🟠	Dan Chapman
FCL DR 08	Special Educational Needs and Disability Review recommendations are not implemented	3 x 4 ◀▶ 🟠	3 x 3 ◀▶ 🟠	Dan Chapman
FCL DR 09	Budget is unmanageable due to growing demands, market forces, and not able to effectively target those who might in the future meet the social care threshold	3 x 3 ▼ 🟠	3 x 3 ◀▶ 🟠	Dan Chapman; and Karen Barford
FCL DR 10	Disadvantaged pupils underachieve at schools	3 x 4 ◀▶ 🟠	2 x 4 ◀▶ 🟠	Dan Chapman
FR DR 01	Failure to integrate effectively into the Orbis partnership leads to sub-optimal service outcomes and financial losses	2 x 4 ▲ 🟡	2 x 4 ▲ 🟡	Les Hamilton

Risk Nos	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I) & Direction of Travel	Lead Member
HASC DR 01	Delivery of statutory services is impacted by a reduction in public sector funding and increasing demand and complexity	4 x 4 ▼ 🔴	3 x 4 ▼ 🟠	Karen Barford
HASC DR 03	Market capacity of Adult Social Care providers limits delivery	4 x 4 ▲ 🔴	4 x 4 ◀▶ 🔴	Karen Barford
HASC DR 11	Technology not in place to enable modern working practice and effective delivery	4 x 5 ◀▶ 🔴	3 x 4 ◀▶ 🟠	Karen Barford
NCH DR 01	Digital systems do not improve the Customer experience	3 x 3 ◀▶ 🟠	3 x 3 ◀▶ 🟠	Caroline Penn
NCH DR 02	Lack of financial stability to enable directorate service delivery	4 x 4 ▼ 🔴	3 x 3 ◀▶ 🟠	Emma Daniel
NCH DR 03	Unable to meet legislative duties in service delivery, direct or through contractors	3 x 3 ◀▶ 🟠	3 x 3 ◀▶ 🟠	Anne Meadows
NCH DR 04	Unable to manage increasing demand	4 x 3 ◀▶ 🟠	3 x 3 ◀▶ 🟠	Emma Daniel
NCH DR 05	Capacity to address Serious Crimes causing the most harm is reducing	4 x 4 ▲ 🔴	4 x 3 ◀▶ 🟠	Emma Daniel
NCH DR 06	Government Policy prevents delivery of the Corporate Plan	3 x 3 ◀▶ 🟠	3 x 3 ◀▶ 🟠	Emma Daniel
NCH DR 08	Impact of Universal Credit on Housing Income and Homelessness Services	5 x 3 🔴 NEW	5 x 3 🔴 NEW	Anne Meadows
SGL DR 01	Unable to facilitate Change, Capacity and Support for staff in Strategy, Governance & Law	4 x 4 ◀▶ 🔴	3 x 4 ▼ 🟠	Les Hamilton
SGL DR 02	Lack of skills and resources in SGL to lead and support the organisation	4 x 4 ◀▶ 🔴	4 x 3 ◀▶ 🟠	Les Hamilton

Risk Nos	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I) & Direction of Travel	Lead Member
SGL DR 05	Not managing directorate activity through substantive changes to the operating environment	5 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Les Hamilton
SGL DR 06	Insufficient resources to deliver a resilient Life Events customer service	5 x 4 ◄► 🔴	3 x 4 ◄► 🟠	Les Hamilton
SGL DR 07	Changes in working environment negatively impacting the Life Events services and City Office	5 x 4 ▲ 🔴	4 x 4 ◄► 🔴	Les Hamilton

4. FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

4.1 The Corporate Risk Assurance Framework (CRAF) supports the council to deliver good governance and identify and mitigate against risks including financial risks. Appendix 1 sets out the mapping of Assurance against good governance principles and appendices 2 and 3 provide more detail on the responsibility for risk management.
The financial impact of any specific risks will be reported through the regular Targeted Budget Management and Budget reports to Policy Resources and Growth Committee and included within the Budget setting reports to Budget Council where necessary.

Finance Officer Consulted: James Hengeveld   *Date: 27/11/17*

Legal Implications:

4.2 It is a core function of the Audit and Standards Committee to provide independent assurance of the adequacy and effectiveness of the council's governance, risk management and assurance arrangements. Annual reports on the CRAF are submitted to this Committee as a key means of ensuring effective assurance.

Scrutiny of the Council's arrangements and examination of its progress against the CRAF is a legitimate exercise of the Committee's functions. So too is the making of recommendations to the Council and/or to Policy, Resources and Growth Committee, officers or other relevant Council body following that scrutiny and examination.

Lawyer Consulted: Victoria Simpson   *Date: 27/11/17*

Equalities Implications:

4.3   There are no specific equalities implications in the CRAF, however as a council we have a legal duty under the Equality Act 2010 to show that we have identified and considered the impact and potential impact of our activities on all people with 'protected characteristics' (age, disability, gender reassignment, pregnancy and maternity, race/ethnicity, religion or belief, sex, sexual orientation, and marriage and civil partnership).
Therefore to address the council's duty, service managers and staff are responsible for addressing the equalities implications inherent in service delivery. DMTs and the Executive Leadership Team receive separate reports on equalities and may apply this to their review and consideration of risk levels within Directorate or Strategic Risks.

SUPPORTING DOCUMENTATION

Appendices:

1.   The Corporate Risk Assurance Framework 2017-18.
2.   The Strategic Risk Register reviewed by ELT 22 November 2017.
3.   All Directorate Risk Registers as at 22 November 2017 (circulated to Members only and published separately on the council website).

Documents in Members' Rooms

1.   All Directorate Risk Registers as at 22 November 2017.

Background Documents

1.   Delivering good governance in Local Government Framework 2016 Edition, CIPFA and SOLACE.
2.   International Framework: Good Governance in the Public Sector, IFAC and CIPFA 2014.