

Audit and Governance Committee



Date of meeting:	30 November 2020
Title of Report:	Risk and Opportunity Management – Annual Report
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Rob Sowden
Contact Email:	Robert.Sowden@plymouth.gov.uk
Your Reference:	AL/RS
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report summaries the work carried out during 2019/20 to develop the council's approach to risk and opportunity management and covers:

- Risk and Opportunity Management Strategy
- Corporate and Operational Risk Management Groups
- Integrated Assurance
- Risk Register 2019/20
- Focus for 2020/2021

Recommendations and Reasons

That Audit and Governance Committee:

- Note the Risk and Opportunity Management Annual Report
- Note the Strategic Risk Register update

Reason: As part of the Committee's responsibility for monitoring the implementation and ongoing processes for identifying and managing key risks of the authority.

Alternative options considered and rejected

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Relevance to the Corporate Plan and/or the Plymouth Plan

Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

Implications for the Medium Term Financial Plan and Resource Implications:

None arising specifically from this report.

Carbon Footprint (Environmental) Implications:

None arising specifically from this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

The Risk and Opportunity Management Strategy specifically supports the council's overall governance arrangements.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		1	2	3	4	5	6	7
A	Strategic Risk Register Update							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7

Sign off:

Fin	djn.20 .21.16 2	Leg	3567 2/AC/ 19/11 /20	Mon Off	Click here to enter text.	HR	Click here to enter text.	Asset s	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: Assistant Chief Executive											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 26/11/2020											

Cabinet Member approval: *[electronic signature (or typed name and statement of 'approved by email/verbally')]* Approved verbally

Date approved: 30/11/2020

1.0 Introduction

1.1 This report summarises the work carried out during 2019/20 to further develop the council's approach to risk and opportunity management. The report also presents an up to date focus on the impact of COVID-19 on Risk Management.

1.2 The Annual Report is separated into five sections, set out below:

- Risk and Opportunity Management Strategy
- Corporate and Operational Risk Management Groups
- Integrated Assurance
- Risk Registers 2019/20
- Focus for 2020/2021

2.0 Risk and Opportunity Management Strategy

2.1 The Risk and Opportunity Management Strategy provides a comprehensive framework and process designed to support members and officers in ensuring that the council is able to discharge its risk management responsibilities fully.

2.2 The strategy is reviewed annually to ensure it remains current and fit for purpose. A copy of the latest version is attached at appendix A.

2.3 The revised strategy was presented to the Corporate Management Team (CMT) on the 10 November 2020.

3.0 Corporate and Operational Risk Management Groups

3.1 CMT acts as the Corporate Risk Management Group (CRMG) with responsibility for the strategic risk and opportunity register and the overall risk and opportunity management strategy.

3.2 Service directors have engaged fully in the risk management process in taking ownership of the strategic risk and opportunity register both formally at CRMG meetings and throughout the year in proposing amendments to the register in line with changing circumstances and priorities for the council.

3.3 Matters of day to day operational risk management are the responsibility of the Operational Risk Management Group (ORMG) which comprises of risk champions from each directorate and/or service and representatives from the oversight functions that support the council's internal control assurance framework.

3.4 The ORMG met twice during 2019/20 to review and monitor operational risk and opportunity risk registers in line with the risk monitoring timetable and to promote and develop a consistent approach to risk and opportunity management.

4.0 Integrated Assurance

4.1 Risk information is referenced where appropriate within the Corporate Plan Performance Report to add value to the quality of information provided.

4.2 Risk identification has been further enhanced by the business planning process implemented across the organisation in March 2018.

4.3 In addition, risks are reviewed at quarterly (in some cases monthly) department management team meetings in line with guidance provided in the Risk and Opportunity Management Strategy.

4.4 Risks that are deemed to have a health and safety element which present a risk to either staff or members of the public are also reviewed by the Health, Safety and Wellbeing Steering Group and quarterly meetings are chaired at Director-level.

4.5 Performance scorecards continue to be reviewed against risk registers to identify any gaps in reporting.

5.0 Review of 2019/20 Risk Registers

5.1 In 2019/20 risks were reviewed quarterly with the focus of review alternating between the Strategic Risk Register and the Operational Risk Register. This has always been the approach but the outbreak of COVID-19 resulted in a change in 2020/21 to the usual timetable of reviewing risks (see Focus for 2020/21).

5.2 In 2019/20 the Strategic Risk Register was made up of 16 risks;

- Four risks identified as a Red High Risk (see below)
- Seven identified as an Amber Medium Risk
- Five identified as a Green Low Risk
- Seven identified as requiring removal from the register

Strategic Risks identified as a Red risk during 2019/20 are identified in the table below;

Strategic Risk	Mitigation
Delivering Council services within the envelope of the resources provided in	<ul style="list-style-type: none"> - Treasury Management diversification of portfolio to increase income and longer term actions to reduce risks from future interest rate rises - Investment in income earning assets

<p>2019/20-2021/22 Medium Term Financial Plan (MTFP). Risk to services of not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme.</p>	<ul style="list-style-type: none"> - Ambitious capital programme and strategic investments from income earning assets - Cross department strategy on grant maximisation - Deep dive review of all budgets to review current projected pressures - Implementation of strict recruitment controls with a CMT Panel created to authorise new posts.
<p>Being unable to deliver Council services within the envelope of the resources provided in 2019/20</p>	<ul style="list-style-type: none"> - Treasury Management diversification of portfolio to increase income - Investment in income earning assets - Ambitious capital programme and strategic investments from income earning assets - Cross department strategy on grant maximisation - Implementation of outcomes from 'Fresh Look' Programme which will improve efficiency and reduce costs whilst still delivering benefits to the customer. Significant savings are focussed in the following key programmes:- Growth, Assets and Municipal Enterprise (GAME2); Integrated Health and Wellbeing; - Identification of new revenue funding sources to support the budget e.g. use of section 106 income in current and future years - Investigating earlier implementation of Fees and Charges, review of reserves, bad debt provision, accelerated income generation. Further capitalisation. Undertaking an in year review of all services to ensure a balanced budget can be achieved - Additional management solutions and escalated action to deliver further savings from service reviews.
<p>Continued issues across the secondary education system that impact on the level of pupil attainment</p>	<ul style="list-style-type: none"> - Plymouth Education Board (PEB) (and sub groups) will increasingly hold all schools to account - Development of an accountability and support model involving a number of partners - School improvement work will create a partnership of distinct interventions to drive improvement and raise achievement - Cause for concern meetings - Proposed Inclusion Mark for the City to celebrate inclusion.
<p>Projected in-year overspend in Children's Social Care caused by unprecedented demand and level of support needed to keep young people safe</p>	<ul style="list-style-type: none"> - Additional management solutions and escalated action to deliver further savings from the council's transformation programme will be brought to the table over the coming months in order to address the in year forecasted overspend - Ongoing rigour in decision making to manage demand - Ensuring action plan milestones are reached.

- 5.3 In 2019/20 the Operational Risk Register was made up of 116 risks;
- One risk was identified as a Red High Risk (see below)
 - 66 identified as an Amber Medium Risk
 - 42 identified as a Green Low Risk
 - Seven identified during the year as requiring removal from the register

Operational Risk identified as a Red risk during 2019/20 are identified in the table below;

Operational Risk	Mitigation
Reduced ability to meet performance and delivery expectations in relation to statutory duties	<ul style="list-style-type: none"> - Seek assurance as to a solution with regard to mobile phone signal and corporate transfer, prioritising PPS staff and phone handsets - Continual reassessment of prioritisation system to ensure our targeting of resources is correct - Constant review of intelligence and information to identify trends and emerging risks and to identify efficiencies in ways of working - Develop business case for Business Energy and Industrial Strategy to fund additional capacity - Market surveillance of goods imported from European Union - Regular testing and validation of departmental plans is ongoing - Responsible officer leads Business Continuity Planning in the Local Resilience Forum and regularly identifies good practice - Development of options for formal on call arrangements for appropriate frontline staff, including Union consultation and potential review of role profiles - Research existing Voluntary Cadres in Somerset County Council, Gloucestershire County Council, Cornwall Council and Devon County Council to identify good practice.

6.0 Focus for 2020/21

- 6.1 The outbreak of COVID-19 means that the focus on Risk Management has never been more important. As an organisation we reacted quickly to review our Strategic Risk Register to ensure that previous unidentified risks were recognised and mitigation put in place and recorded.
- The first review was undertaken in May 2020 with changes agreed by Cabinet on the 2nd June.
 - A further review was undertaken in July 2020 with refreshed mitigation discussed and agreed by Corporate Emergency Management Team on the 14th July, this update was subsequently presented to the Audit and Governance Committee on the 27th July.
 - The most recent review of Strategic Risks occurred in October 2020 and the latest version of the Strategic Risk Register is attached to this Annual Report as Appendix B

- 6.2** The following additions were made to the Strategic Risk Register in 2020/21;
 ‘The risk of the Second peak of COVID-19 cases affects city's recovery / reset plans’

The following pre-existing risks were elevated to the Strategic Risk Register from the Operational Risk Register;

‘The risk of Adult Social Care Market or Provider failure’

‘Increased and sustained pressure on Adult Social Care budget due to increased numbers of people or increased complexity of need’

The following risks have been removed from the Strategic Risk and Opportunity Register to ensure there is strategic focus on the city's recovery following COVID-19, however, they will continue to be monitored via departmental operational risk registers:-

- Council fails to prepare and deliver combined local and Policy and Crime Commissioner elections
- Non delivery of the plan for waste
- Cladding issues on tall buildings

- 6.3** The impact of COVID-19 has been identified against the following Strategic Risks;

Strategic Risk	COVID-19 Impact
The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2020-2022)	<ul style="list-style-type: none"> - Government Financial Grant and other ring fenced funding to respond to the pandemic - Reporting impact of the pandemic to the Ministry of Housing, Communities and Local Government - Regular budget monitoring reports provide an update on the latest in-year and COVID-19 related pressures.
Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services	<ul style="list-style-type: none"> - 'Hidden harm' consequences of infection control measures and safe systems of work limitations add to existing pressures on service - Risk of continued rising demand for children to come into care as a result of the pandemic
Insufficient pupil attainment to achieve economic / quality of life outcomes across secondary cohort	<ul style="list-style-type: none"> - Continuing decrease in access to and attendance at schools overlays previous challenges in secondary education - Additional challenges of attendance and attainment during pandemic may have an increased impact on those secondary students already disadvantaged - Impact on ability to record attainment and impact of a freeze on OFSTED inspections.
Insufficient economic performance to sustain the City's economy as a result of the ongoing	<ul style="list-style-type: none"> - Plymouth Plan and economic growth targets will have to be revisited in the light of the recession

<p>impact of the COVID-19 pandemic</p>	<ul style="list-style-type: none"> - We are focussing, through Resurgam, on six areas to help our economy to recover, to protect local jobs and to support our communities. These are: <ul style="list-style-type: none"> • Spend 4 Plymouth – A massive focus on local procurement for local jobs • Build 4 Plymouth – An ambitious capital programme and economic stimulus to support construction jobs, building a better and greener Plymouth • Skills 4 Plymouth – Extensive new support for young people and retraining our workforce for future jobs through our skills launch pad • City Centre Renaissance programme – support for our city centre and a regeneration plan • Resurgam Beacons – A focus on our future. We will seek to create new jobs in the Blue and green economy. That is our amazing marine sector and a new green deal for jobs • Sector Action Plans – a bespoke package of interventions lead by the private sector for our 11 key sectors, building on our Resurgam plans and innovating and collaborating together through our newly established Sector Hub.
<p>Second peak of COVID-19 cases affects city's recovery / reset plans.</p>	<ul style="list-style-type: none"> - Local Outbreak Management plan co-designed and published.
<p>Failure to reduce Health Inequalities</p>	<ul style="list-style-type: none"> - Mounting evidence that COVID-19 is having differential health impacts across communities, adding to existing health inequalities. This is through either the disease itself or the mitigations put in place. There is an ongoing impact of this due to the economic downturn.
<p>The Council having insufficient workforce capacity and resilience to deliver the required range of services to meet statutory obligations and administration priorities</p>	<ul style="list-style-type: none"> - New service obligations, such as Caring Plymouth, local outbreak control, Personal Protective Equipment provision need to be considered alongside existing obligations, some of which have been made more challenging by COVID-19.
<p>The Council is unable to fulfil its legal obligations regarding the safety of its citizens and service recipients</p>	<ul style="list-style-type: none"> - Significant challenges presented by the scope of service activities, range of workforce environments, clarity of guidelines/legislation and unpredictability of the infection rate of COVID-19, with the added pressures of supply chain management and organisational capacity to deliver.
<p>The Council not meeting its legal obligations regarding the health, safety and wellbeing of its workforce.</p>	<ul style="list-style-type: none"> - As above
<p>Departure from EU single market without a trade deal further</p>	<ul style="list-style-type: none"> - A 'no-deal' exit from the EU in addition to COVID-19 economic impacts at the end of 2020 will magnify previous Brexit risks.

decreases city economic output	
Risk of failing to deliver the range of housing to meet Plymouth's need via the Joint Local Plan (JLP) and the Homes for Plymouth Programme	- Housing supply is close to the core of Joint Local Plan delivery and a number of COVID-19 related factors will impact our ability to deliver to previously agreed levels.
Increased and sustained pressure on Adult Social Care budget due to increased numbers of people or increased complexity of need.	- In light of COVID-19, changes in practice there are currently increased costs in providing services - for example additional PPE and more robust processes around systems of working for providers and infection control. All of these will incur increased cost, for which there is no confirmation of longer term funding. There is uncertainty as to whether the current COVID-19 practices will need to remain long term.

- 6.4** Continue to support departments to identify risks to achievement of objectives contained within their business plans.
- 6.5** Continue to review and develop risk management processes and work with performance colleagues to improve the quality of information being provided to managers.
- 6.6** Continue to regularly review Strategic and Operational Risk Registers following the outbreak of COVID-19.
- 7.0 Conclusion**
- 7.1** There is good evidence of the development of a risk management culture within the council with proactive engagement of members, directors and heads of service, and senior operational managers.
- 7.2** The council has well-developed and proven risk management processes in place which have been integrated into business planning, budget and project management.
- 7.3** This opinion reflects the work implemented to embed risk management arrangements within formal business planning processes and the closer alignment of risk and performance processes.
- 7.4** The Risk and Opportunity Management Annual Report should therefore give Audit and Governance Committee members assurance as to the adequacy and effectiveness of the internal control arrangements and, in particular, the contribution of risk and opportunity management to the overall governance framework.