

# Audit and Governance Committee



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| Date of meeting:         | 22 March 2021  |
| Title of Report:         | <b>Operational Risk &amp; Opportunity Management Update Report</b>       |
| Lead Member:             | Councillor Mark Lowry (Cabinet Member for Finance)                       |
| Lead Strategic Director: | Giles Perritt (Assistant Chief Executive)                                |
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| Your Reference:          | AL/RS  |
| Key Decision:            | No   |
| Confidentiality:         | Part I - Official  |

## Purpose of Report

To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with corporate planning, projects, change programmes and partnerships.

This report now outlines the continuing progress being made across Services in delivering Operational Risk and Opportunity Registers in line with the Council's shared vision and priorities.

The total number of operational risks now reported has decreased from 114 to 111, comprising of two high (red) risks, 63 medium (amber) risks and 46 low (green) risks.

## Recommendations and Reasons

The Audit and Governance Committee is recommended to: Note and endorse the current position with regard to operational risk and opportunity management

**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**

Operational Risk and Opportunity Registers are aligned to Corporate Plan Performance Framework Outcomes. This ensures that appropriate links are identified with individual risks where control action contributes to delivery of a key corporate objective.

**Implications for the Medium Term Financial Plan and Resource Implications:**

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

**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.*

None arising specifically from this report but community safety and health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

**Appendices**

*\*Add rows as required to box below*

| Ref. | Title of Appendix                    | Exemption Paragraph Number (if applicable)<br><i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i> |   |   |   |   |   |   |
|------|--------------------------------------|--|---|---|---|---|---|---|
|      |                                      | 1  | 2 | 3 | 4 | 5 | 6 | 7 |
| A    | Operational Risk Monitoring Briefing |  |   |   |   |   |   |   |
|      |                                      |  |   |   |   |   |   |   |

**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)<br><i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i> |   |   |   |   |   |   |
|----------------------------------|--|---|---|---|---|---|---|
|                                  | 1  | 2 | 3 | 4 | 5 | 6 | 7 |
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|----------------------------|--|--|--|--|--|--|--|
| Operational risk registers |  |  |  |  |  |  |  |
|                            |  |  |  |  |  |  |  |

**Sign off:**

|   |                       |     |                              |            |  |    |  |            |  |               |  |
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| Fin   | djn.2<br>0.21.<br>275 | Leg | 3633<br>4/AC<br>/12/3<br>/21 | Mon<br>Off |  | HR |  | Asset<br>s |  | Strat<br>Proc |  |
| Originating Senior Leadership Team member: Giles Perritt  |                       |     |                              |            |  |    |  |            |  |               |  |
| Please confirm the Strategic Director(s) has agreed the report? Yes<br>Date agreed: 12/03/2021                              |                       |     |                              |            |  |    |  |            |  |               |  |
| Cabinet Member approval: <i>Approved by Councillor Mark Lowry (Cabinet Member for Finance)</i><br>Date approved: 10/03/2021 |                       |     |                              |            |  |    |  |            |  |               |  |

**Appendix A – Operational Risk Monitoring Briefing****1.0 Introduction**

- 1.1 The position with regard to Operational Risk Register monitoring was last reported to this Committee on 21 September 2020 and this report now provides a summary of the latest monitoring exercise covering the position as at 28 February 2021.

**2.0 Background**

- 2.1 Plymouth City Council's Risk and Opportunity Management [strategy](#) is reviewed each year and updated to ensure it remains fit for purpose. The latest version was endorsed by this Committee on 30 November 2020.
- 2.2 To comply with the Risk and Opportunity Management Strategy each Directorate must implement a robust process of managing risks to corporate, service, project and partnership objectives for which they have responsibility. To support the promotion and co-ordination of risk management each Directorate/Service has a dedicated Risk Champion. There are currently two departments where the position of Risk Champion is vacant.

**3.0 Operational Risk and Opportunity Registers and Analysis of Risks Identified**

- 3.1 The impacts of the Covid-19 pandemic have been felt across all sectors and communities. The initial emergency response phase in Plymouth and the UK has focussed since early March 2020 on taking action to deal with the immediate impacts of the pandemic on our communities, infrastructure and economy.
- 3.2 The Covid-19 situation is dynamic and subject to change in government advice and policy on a weekly, if not daily basis. It has been necessary for staff to be redeployed to deal with the

emergency response and this has had an obvious impact on business as usual activity.

- 3.3** In order for the Council to fulfil its legal obligations regarding the safety of its citizens and service recipients, revision of some business plans will be necessary to mitigate further risks. Services were asked to review their operational risks identifying areas that have been impacted by Covid-19.

#### **4.0 Red Risks**

- 4.1** Detail on the red risks reported is shown below. This includes a new red risk raised by the Customer and Corporate Services that relates to the Council's failure to obtain Public Sector Network compliance.

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| <p><b>Finance:</b></p> <p><b>The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan (MTFP) period (2020-2022)</b></p>  | <p>Risk to Services of not delivering within reduced budgets.</p> <p>The council has prepared quarter three monitoring position. This shows a forecast of £0.027m below budget, which is a better position than the same time last year. The council has been managing the COVID-19 pandemic and associated costs. To date Plymouth has received £22.5m of emergency COVID-19 grant to support in year cost pressures and other grants to support a variety of services areas including support for local businesses. In addition over £3m has been received as part of the income compensation scheme. The council is on the process of setting its budget for 2021/22 and presented a balanced budget to Council in February 2021. The government only provided local government with a one year settlement which means it is extremely difficult to predict the impact upon the council's finances in future years. Longer term and indirect impacts arising from COVID-19, including :</p> <ul style="list-style-type: none"> <li>- Income reduction;</li> <li>- Cost increases;</li> <li>- Addressing the impacts of the pandemic on communities;</li> <li>- Savings plans delayed or offset by the pandemic.</li> </ul> |
| <p><b>Comments/Mitigation:</b> The 2021/22 budget has now been set by Council and work will continue to ensure the Council delivers within its financial envelop within a very challenging environment. Treasury Management diversification of portfolio to maximise investment income and longer term actions to reduce risks from future interest rate rises. Investment in income earning assets. Ambitious capital programme and strategic investments from income earning assets. Cross department strategy on grant maximisation and regular review of Medium Term Financial Plan and resource position.</p> |   |
| <p><b>Transformation (Information Governance):</b></p>   | <p>The Public Services Network (PSN) is a programme designed by the UK Government to create one network for all UK public sector organisations. The</p>   |

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| <p><b>Failure to obtain PSN (Public Service Network) compliance from the Cabinet Office</b></p>   | <p>PSN was born out of a need for public sector organisations to save costs and to introduce a level playing field for commercial suppliers. The PSN programme operates within central government, local government, health, defence, education and other public sector bodies.</p> |
| <p>Comments/Mitigation: The PSN accreditation failed for 2020. Currently being addressed with Information Governance Manager and Intelligent Client Function. There are weekly updates being received by the Council from Delt and the risk has been escalated to the Director for Customer and Corporate Services to oversee actions taken.</p> <p>A new submission is being prepared for 2021 and the current estimate is that accreditation will be achieved by the end of April 2021.</p> |   |

## 5.0 Risk and Opportunity Register Information

- 5.1** Operational Risk and Opportunity Registers record mitigation actions and controls for all risks identified together with a named risk owner in each case.
- 5.2** In line with the Council's risk appetite statement, operational risks scored 16 and above that are classed in the low risk appetite categories of 'Finance', 'Reputation' and 'Compliance, Regulation and Safeguarding' are presented to members of the Corporate Management Team. This approach ensures a high level of management oversight is focussed in the areas which could potentially be more damaging should the risk materialise.
- ## 6.0 Conclusion
- 6.1** Actions are being undertaken to mitigate risks identified as red in this report. Mitigation aimed at reducing the likelihood, and the impact of the risk being realised.
- 6.2** Given the challenges facing the Council in the next financial year due to Covid-19, risk identification and monitoring will be more important than ever to help inform future decision making to support our communities.
- 6.2** The vision, values and priorities set out in the Corporate Plan 2018-22 are at the core of the recovery and renewal framework and will continue to form the basis of renewal and recovery planning.
- 6.3** The corporate risk management process to enable service level Operational Risk and Opportunity Registers to be linked to the Corporate Plan is embedded across the Council.
- 6.4** The next operational risk report will be presented to Audit and Governance Committee in September 2021.