

PLYMOUTH CITY COUNCIL

Subject:	Operational Risk and Opportunity Management Update Report
Committee:	Audit and Governance Committee
Date:	10 December 2018
Cabinet Member:	Councillor Lowry
CMT Member:	Giles Perritt, Assistant Chief Executive
Author:	Julie Hosking, Corporate Risk Advisor
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Ref:	PR/JKH
Key Decision:	No
Part:	I

Purpose of the 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 121 to 114, comprising of 2 high (red) risks, 69 medium (amber) risks and 43 low (green) risks.

Corporate 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 Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

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

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

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.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

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.

Published work / information:

Previous Operational Risk Monitoring Reports to the Audit and Governance Committee

Background papers:

Plymouth City Council’s Risk & Opportunity Management [Strategy](#)

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

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Originating SMT Member: Assistant Chief Executive													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

1.1 The position with regard to Operational Risk Register monitoring was last reported to this Committee on 30 July 2018 and this report now provides a summary of the latest monitoring exercise covering the position as at November 2018.

2.0 Background

2.1 Plymouth City Council's Risk and Opportunity Management Strategy is continuously reviewed each year and updated to ensure it remains fit for purpose.

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.

2.3 To support the promotion and co-ordination of risk management each Directorate/Service has a dedicated Risk Champion. Risk Champions represent their Directorate/Service at the Operational Risk Management Group chaired by the Oversight and Governance Manager.

2.4 The good progress made towards achievement of this outlined in this report should provide Members with assurance that operational risks are being identified effectively, mitigation actions put in place and Operational Risk and Opportunity Registers monitored routinely alongside the delivery of objectives.

3.0 Operational Risk and Opportunity Registers and Analysis of Risks Identified

3.1 The corporate risk management process to enable service level Operational Risk and Opportunity Registers to be linked to the Corporate Plan is now embedded across the Council.

3.2 Service Directors and Heads of Service are identifying risks that may prevent them from delivering on their key service objectives and, by monitoring these risks on a regular basis, will be tracking the effectiveness of mitigation controls.

3.3 Risk identification has been further enhanced by the business planning process introduced across the organisation in February and implemented in March 2018. Service Directors reviewed their business plans during September in light of the budget setting process for 2019/20 and Medium Term Financial Strategy refresh.

3.4 As the risk identification process includes quantification through a probability/impact assessment, services should also be able to identify key risks and prioritise their use of scarce resources more effectively.

4.0 Red Risks

4.1 Detail on the red risks reported is shown below:-

Delivering Council services within the envelope of the resources provided in 2018/20-2021/22 Medium Term Financial Strategy - Risk to Services of not delivering within reduced budgets	The estimated revenue overspend is £5.192m. The overall forecast net spend equates to £190.747m against a budget of £185.555m, which is a variance of 2.8%. This needs to be read within the context of needing to deliver in excess of £11m of savings in 2018/19 on the back of balancing the 2017/18 revenue
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	budget where £18m of net revenue reductions were successfully delivered.
Comments/Mitigation: All options and innovative solutions will continue to be explored so further reductions can be made to the forecast overspend. The Section 151 Officer (Senior Officer responsible for the proper administration of the Council's financial affairs) is meeting all Strategic Directors and undertaking a 'deep dive' of all budgets. A Budget Recovery Group has been set up to respond to current in-year pressures.	
Projected overspend in children's social care caused by unprecedented demand and level of support needed to keep young people safe, such as specialist residential care placements with high levels of staffing.	A budget monitoring report was considered by Cabinet on 13 November reporting a £5.2 million overspend. There has been a significant increase in young people's placement cost accounting for £4.1m. We are experiencing a big rise in the number of vulnerable children needing care, the cost of the care is particularly high due to the level of support needed to keep young people safe, such as specialist residential care placements with high levels of staffing. Our position reflects a national problem and similar rises in demand and costs are being experienced by many other authorities around the county.
Comments/Mitigation: Although the main drivers contributing to the council's total over spend are the demand led services, urgent work is under way to find £5.2 million savings across the Council to close the funding gap for 2018/19. Led by the Strategic Directors and Cabinet, all staff are working hard to deal with the projected overspend and this is being dealt with as a whole council problem. It is anticipated that the projected over spend will reduce with each future monitoring review.	

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 light of the in-year budget challenges described above, a further review of all strategic and operational risks has been undertaken to assess the implications of savings being offered to the delivery of services.
- 5.3 More detailed information on individual services' risk and opportunity registers can be obtained from the Corporate Risk Advisor, departmental risk champions or Heads of Service.

6.0 Conclusion

- 6.1 The Council's success in dealing with the risks it faces can have a major impact on the achievement of key promises and objectives and ultimately, therefore, on the level of service to the community.
- 6.2 The Council recognises that it is operating in a climate of unprecedented financial pressure and that it needs to substantially reduce operating costs and ensure maximum possible investment in achieving its objectives and therefore needs to be innovative, resourceful, customer focused and provide greater value for money. The achievement of delivery plan actions to deliver budget savings continues to be closely monitored by Services with regular reporting on a risk rated basis to the Corporate Management Team.

- 6.3** One of the responsibilities of the Audit and Governance Committee is to seek and receive assurances that the Council has an effective internal control framework in place which includes arrangements for the management of risk at both strategic and operational level.
- 6.4** The Risk and Opportunity Management Strategy will provide staff with a process for identifying threats or risks that includes becoming more outcome focussed.
- 6.5** The Operational Risk Management Group is continuing to work with departmental Risk Champions to further develop consistent application of risk management considerations across all operations of the Council.
- 6.6** The next operational risk report will be presented to Audit and Governance Committee in July 2019.