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| Date of meeting:         | 22 July 2019   |
| 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)                          |
| Author:                  | Julie Hosking  |
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| Your Reference:          | SM/JKH   |
| 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 three high (red) risks, 64 medium (amber) risks and 44 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    | Internal Audit Report Risk Management follow-up 2018/19 |  |   |   |   |   |   |   |

**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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**Sign off:**

|   |                  |     |                   |            |                                       |    |                                       |            |                                       |               |                                 |
|---|------------------|-----|-------------------|------------|---------------------------------------|----|---------------------------------------|------------|---------------------------------------|---------------|---------------------------------|
| Fin   | akh.19.<br>20.47 | Leg | lt/3286<br>3/0507 | Mon<br>Off | Click<br>here<br>to<br>enter<br>text. | HR | Click<br>here<br>to<br>enter<br>text. | Asset<br>s | Click<br>here<br>to<br>enter<br>text. | Strat<br>Proc | Click here<br>to enter<br>text. |
| Originating Senior Leadership Team member: Assistant Chief Executive  |                  |     |                   |            |                                       |    |                                       |            |                                       |               |                                 |
| Please confirm the Strategic Director(s) has agreed the report? Yes<br>Date agreed: 26/06/2019  |                  |     |                   |            |                                       |    |                                       |            |                                       |               |                                 |
| Cabinet Member approval: <i>[electronic signature (or typed name and statement of 'approved by email/verbally')]</i> Councillor Lowry approved via email<br>Date approved: 03/07/2019 |                  |     |                   |            |                                       |    |                                       |            |                                       |               |                                 |

**1.0 Introduction**

- 1.1 The position with regard to Operational Risk Register monitoring was last reported to this Committee on [10 December 2018](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 30 June 2019.

**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 implemented across the organisation in March 2018. Service Directors reviewed their business plans during February and March 2019.
- 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:-

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|---|---|
| <p><b>Delivering Council services within the envelope of the resources provided in 2019/20-2021/22 Medium Term Financial Plan</b></p> <p><b>- Risk to Services of not delivering within reduced budgets</b></p>   | <p>The Medium Term Financial Plan (MTFP) was approved by Council on the 19 November 2018. The Plan addresses the funding gap as of that date, (with particular focus on 2019/20) for the following three financial years. 2019/20 is the last year of the four year Settlement. At this stage there is uncertainty about future funding levels until the Government make further announcements. This is not expected until the autumn of 2019 which makes medium term financial planning extremely difficult.</p> |
| <p><b>Comments/Mitigation:</b> The Council has launched a "Fresh Look" programme to review all departments within all directorates, examining current budget and actual spend; contracts; income opportunities and any synergies and efficiencies across the whole council.</p>                   |   |
| <p><b>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.</b></p>  | <p>There has been a significant increase in young people's placement cost. 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.</p>           |
| <p><b>Comments/Mitigation:</b> Service redesign implemented including invest to save case for increase in number of social workers. Implementation of the Fostering Project Delivery Plan – end-to-end project for recruitment of carers. Ongoing rigour in decision making to manage demand.</p> |   |
| <p><b>Reduced ability to meet performance and delivery expectations in relation to statutory duties, deliver critical services in an emergency or provide emergency response due to:-</b></p>   | <p>This risk relates to the Office of the Director of Public Health and has been increased from an amber rating to red due to issues arising from proposals to move the service to a new location combined with existing</p>  |

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|--|---|
| <p><b>1. Growing complexity of demand across services;</b></p> <p><b>2. Reduced staff and staffing resilience in a time of significant and rapid change to the design and delivery of services;</b></p> <p><b>3. Resource implications of Brexit;</b></p> <p><b>4. Proposed accommodation changes.</b></p> | <p>service pressures. These issues are being addressed as a matter of urgency by senior management.</p> |
| <p><b>Comments/Mitigation:</b> Discussions regarding accommodation are ongoing and issues have been escalated to senior managers. All areas of work have been assessed and prioritised to attempt to focus attention on those areas of highest need.</p>   |   |

## 5.0 Internal Audit Report

- 5.1** Devon Audit Partnership undertook a risk management follow-up review in April 2019 and a copy of their report is attached.
- 5.2** The audit opinion has improved from 'Working' to 'Embedded and Integrated' to reflect the work implemented in 2017/18 to embed risk management arrangements within formal business planning processes and the closer alignment of risk and performance processes.

## 6.0 Risk and Opportunity Register Information

- 6.1** Operational Risk and Opportunity Registers record mitigation actions and controls for all risks identified together with a named risk owner in each case.
- 6.2** 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.

## 7.0 Conclusion

- 7.1** 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.
- 7.2** 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.

- 7.3** 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.
- 7.4** The Risk and Opportunity Management Strategy will provide staff with a process for identifying threats or risks that includes becoming more outcome focussed.
- 7.5** 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.
- 7.6** The next operational risk report will be presented to Audit and Governance Committee in December 2019.