

10 July 2014		ITEM: 6
Standards and Audit Committee		
Refresh of the Strategic/Corporate Risk and Opportunity Register, In Quarter 1 Report		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Andy Owen, Corporate Risk Officer		
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Graham Farrant, Chief Executive		
This report is public		

Executive Summary

One of the functions of the Standards and Audit Committee under the Terms of Reference of the Constitution is to provide independent assurance that the Authority's risk management arrangements are adequate and effective.

To enable the Standards and Audit Committee to consider the effectiveness of the Council's risk and opportunity management arrangements the report is presented on a bi annual basis and provides details of how the key risks and opportunities facing the Authority are identified and managed.

The Corporate Risk Officer has worked with Services, Department Management Teams, Performance Board and Directors Board between March and May to refresh the Strategic Corporate Risk and Opportunity Register.

This report provides Standards & Audit Committee with the key risks and opportunities identified by the review and the revised Strategic/Corporate Risk and Opportunity Register.

- 1. Recommendation(s)**
 - 1.1 That Standards and Audit Committee note the items and details contained in the Dashboard (Appendix A).**
 - 1.2 That Directors Board note the 'In Focus' report (Appendix B), which includes the items identified by Corporate Risk Management, Performance Board and Directors Board that Standards and Audit Committee should focus on this quarter.**

2. Introduction and Background

- 2.1 Risk and Opportunity Management (ROM) describes the planned and systematic approach used to identify, evaluate and manage the risks to and the opportunities for the achievement of the Council's objectives.
- 2.2 ROM is an important part of the Council's overall Performance Management Framework and makes a significant contribution to the sound Corporate Governance arrangements to meet the requirements set out in the Account and Audit Regulations.
- 2.3 During the autumn of 2013 the Corporate Risk Management function was restructured and incorporated with the Insurance Team under Corporate Finance. As part of the arrangements a shared service for risk management was established with the London Borough of Barking and Dagenham.
- 2.4 To enable risk management to be effective in and for both organisations a full review of the ROM frameworks was undertaken and the quarterly reporting of the Strategic/Corporate Risk and Opportunity Register suspended until the revised arrangements were developed.
- 2.5 The revised ROM Policy, Strategy and Framework were developed and reported to Cabinet March 2014, via Standards & Audit Committee February 2014 and Directors Board January 2014.
- 2.6 This review of the Strategic/Corporate Risk and Opportunity Register is the first exercise under the new framework and the Corporate Risk Officer has worked with Services, Department Management Teams, Performance Board and Directors Board between March and May to refresh the Strategic/Corporate Risk and Opportunity Register.
- 2.7 The review has resulted in some changes to the risk and opportunity register. Twenty one items have been refreshed, ten new items added and fourteen items removed.

3. Issues, Options and Analysis of Options

- 3.1 The outcome of the review is shown in the Dashboard (Appendix A), In Focus report (Appendix B) and the following tables.
- 3.2 Appendix A – Dashboard
The refreshed and new items are included in the dashboard table. The dashboard provides a summary of the items in the register mapped against the Council's priorities and when the results of future reviews are captured, the table will also outline the progress to manage the items to planned targets and timeframes.
- 3.3 Appendix 2 – Risks and Opportunities In Focus report
This document includes the items identified by Corporate Risk Management, Performance Board and Directors Board that Standards and Audit Committee should focus on this quarter.

The rationale for items being in focus is based on the numeric value of the rating. Any risks/opportunities which are currently rated 16 or 12 automatically become in focus, and any which are currently rated 9 or 8 would be considered on a case by case basis for the in focus report.

A summary of the position for each in focus item is included below:

Risk - In priority (rating) and then reference number (numeric) order.

<p>Adult Social Care, Cost and Quality Standards - Risk 1 (Rating: 12 Critical/Likely)</p> <p>The risk evaluates the impact of a combination of issues on the maintenance of care quality standards. The risk is rated at the higher level due to the financial pressures on local authorities & the impact this will have (e.g. reduced teams for critical processes such as contract management, inability to uplift prices to counter competition for workers and inflationary pressures, etc).</p>
<p>Failure to Implement the Care Bill - Risk 2 (Rating: 12 Critical/Likely)</p> <p>Programme management of this major legislative change would, in any normal year, become the major focus for the directorate. However we are currently having to programme manage and deliver four complex and wide ranging programmes of work; the care bill, better care fund integration, short term service efficiency and improvement projects and long term cultural change and transformation. Thurrock is a very low spending authority per capita on adult social care and also faces significant reductions to funding via the national austerity programme. Risks of non-delivery of any, or all, of these important programmes are exacerbated by these factors. Mitigation in the form of securing resources in the short term to provide adequate programme management, delivery and specialist expertise where required is necessary.</p>
<p>Children Social Care - Risk 3 (Rating: 12 Critical/Likely)</p> <p>The risk evaluates the impact of increased demand and resource pressures on children's social care, quality of service and provision. This risk remains from the previous year. The pressures outlined throughout the 2013/14 year remain acute. They include increased volumes, increased complexity, ongoing activity to review high cost placements, implementation of early help and multi-agency safeguarding hub. It is not possible therefore to downgrade the risk rating whilst this remains the case and the risk remains at a high level. A range of mitigating action has been implemented throughout 2013/14 and this is summarized in the risk management action plan.</p>
<p>Health & Social Care Transformation - Risk 4 (Rating: 12 Critical/Likely)</p> <p>Programme management of this major legislative change would, in any normal year, become the major focus for the directorate. However we are currently having to programme manage and deliver four complex and wide ranging programmes of work; the care bill, better care fund integration, short term service efficiency and improvement projects and long term cultural change and transformation. Thurrock is a very low spending authority per capita on adult social care and also faces significant reductions to funding via the national austerity programme. Risks of non-delivery of any, or all, of these important programmes are exacerbated by these factors. Mitigation in the form of securing resources in the short term to provide adequate programme management, delivery and specialist expertise where required is necessary.</p>
<p>ICT Infrastructure - Risk 5 (Rating: 12 Critical/Likely)</p> <p>Initiatives are currently underway to manage & overcome the risk (e.g. implementation of flexible/mobile working and IS/IT improvements through the refurbishment of Civic Offices). Progress against the strategy and project are monitored regularly by the CISD and Transformation Boards.</p>
<p>Delivery of MTFS 2014/15 - Risk 6 (Rating: 12 Critical/Likely)</p> <p>The 2014/15 budget has been set with a planned contribution from reserves of £2.4M. Challenges such as savings targets for shared services, transformation and procurement and limited growth for demand led services such as children's social care have been identified and are being monitored.</p>
<p>Delivery of MTFS 2015/16 to 2017/18 - Risk 7 (Rating: 12 Critical/Likely)</p> <p>The Core Shaping and Intelligence Group (CSIG) have been formed and chaired by the Assistant Chief Executive. The group coordinates the process and findings for reshaping service delivery from 2015. The budget process is a standing item on each Directors Board and Leadership Group and the Directors Board Sub Groups are looking at cross Council service integration to feed into the process.</p>

Purfleet Regeneration - Risk 8

(Rating: 12 Critical/Likely)

The Council appointed the 'Purfleet Centre Regeneration Limited' consortium as its development partner at the March 2014 Cabinet following conclusion of the OJEU competitive dialogue process. This has reduced the impact of the risks associated with the procurement process but all other risks (in respect of land assembly, reputation etc) remain the same.

Welfare Reforms - Risk 9

(Rating: 12 Critical/Likely)

The impact of the changes is being monitored by the Welfare Reform Group. In terms of the specific areas :

- The ELF has had a lower take-up than expected (largely because it is cashless) and the arrangements with Southend are working well. The main risk is over its continuance post 2014/15;
- The social sector size criteria has affected nearly 1,000 people. DHP has been used to minimise the impact; HB arrears have been lower than expected; around 40 households have moved. The risk is over maintaining this position;
- The benefit cap only affected a very small number of people and has had minimal impact;
- The move from DLA to PIP is being monitored and numbers will grow as people switch at their review point. Delays remain the biggest problem.
- LCTS – again arrears are lower than expected but it is causing financial hardship for significant numbers of people, the long-term impact of which is hard to assess at this stage;
- Universal credit – the roll-out at a national level has been delayed because of IT and other implementation problems. There are opportunities to see if we can get a joined up assessment process between the Council and the DWP.
- Movement of families and individuals from other local authorities especially London. There is anecdotal evidence that this is starting to happen although still at a small scale. There is a risk of local services expected to pick up more as numbers increase.

Political Balance/No Overall Control - Risk 31

(Rating: 12 Critical/Likely)

The Council has implemented governance arrangements within its Constitution and particularly its Scheme of Delegation to manage the position. Statutory officers of the council are aware of their responsibilities to ensure the political balance of the council does not hinder or delay dealing with difficult issues and the importance of early consultation with all political groups.

Business Continuity - Risk 10

(Rating: 12 Substantial/Very Likely)

The work of business continuity is permanently ongoing due to the unpredictable nature of occurrence of disruptive events. The new aspect of working with the education department on development of critical incident plans for schools which is not only ensuring that Thurrock schools are resilient in their operation, but also creating an income stream for the department. The project is in its infancy as commenced in March 2014. This project has also led with schools linking in with Thurrock Councils Communications team to explore service level agreements.

Road/Transport Infrastructure - Risk 11

(Rating: 12 Substantial/Very Likely)

On 17 March 2014 the risk description was revised to reflect the current situation and the anticipated management and further mitigation required in 2014-15 (e.g. lobbying government with regard to changes to the existing Dartford Crossing, Lower Thames Crossing Options Review, improvements to J30/31, widening of A13 between Manorway and Orsett Cock, etc.)

Opportunity - In priority (rating) and then reference number (numeric) order.**Gloriana Thurrock Ltd - Opportunity 29**

(Rating: 12 Exceptional/Likely)

The opportunities flow directly from the Company's objectives which are to build high quality housing in support of Thurrock's Vision and growth targets. If Gloriana can deliver high quality housing within the financial parameters set in the Business Case approved by Cabinet then much needed affordable housing will be provided for the Borough and a financial return will flow to the Council. The Business Case presented to Cabinet in March included a governance and scheme gateway process to enable the effective management of the opportunities and risks flowing from the project. A general risk register and a specific risk register for the first site, St Chad's in Tilbury, showed that some risks had already been mitigated or mitigation/management actions were already in place. Scheme development risks would remain as key risks to be managed and mitigated in future together with demand risk in relation to letting/selling the properties.

Business Rate (NNDR) Pooling

(Rating: 12 Exceptional/Likely)

Pooling arrangements established with Basildon Borough Council and the London Boroughs of Barking & Dagenham and Havering. Work in progress to develop a clear delivery programme of activity across the pool to support economic growth.

- 3.4 A number of items have been removed from the register as a result of the review. These items along with the rationale for their removal are summarised in the following table:

Risk - In alphabetical order

Delivery of MTFS 2013/14
Risk managed. Budget for 2013/14 balanced and within budget envelope
ERP / Oracle
Risk managed. The majority of the Phase 2 HR/Payroll project was implemented in 2013.
Health Transition
Situation changed. Health transition risk removed and replaced by new risk for Health and Social Care Transformation (see Risk 4).
Housing Responsive Repairs
Risk managed. The progress made on repairs along with setting up the better reporting interface diminishes the risk. The key action undertaken to manage the risk includes - Mobilization of new contractor Mears completed; Basic interface between the Council and Mears system functional and fully functional system to be developed by August; Operational and Core Groups established and regular monitoring of exclusion repairs and budgets undertaken; Completion repairs continue to be marginally hindered by the back log of repairs not completed in the last months but this status is likely to recuperate as a result of better performance and the implementation of the Capital Works Programme, which will improve the general condition of the Housing stock/units beyond the decent homes standard.
Public Health Funding
Risk Managed. The shortfall in the public health funding allocation for 2013/14 has been resolved. The PHE have allocated £1.124M to the baseline budget effective from 2013/14 onwards and the shortfall has been paid to the Council. A report outlining the spend allocation was submitted to Health and Well Being Board in March 2014.
SSP Savings
Risk removed. 2013/14 budget envelope/balanced budget achieved. Delivery of savings going forward incorporated in the overall financial risk items for the delivery of the MTFS (Risks 6&7).
Transformation Savings
Risk removed. 2013/14 budget envelope/balanced budget achieved. Delivery of transformation savings going forward incorporated into the overall financial risk items for the delivery of the MTFS (Risks 6&7).
Waste Route Optimisation
Risk removed. The waste route optimisation project is complete and embedded in scheduled service delivery. Implementation was carried out between June and September 2013 with minor scheme changes being finalised and complete between October and December 2013. There is now no residual risk to the Authority from this project.

Opportunity - In alphabetical order

Academy of Transport & Logistics
Opportunity removed. The Academy of Transport and Logistics opportunity has been subject to a great deal of work in the year which has concluded that the original proposal is no longer workable. We are therefore moving on in a different direction (much smaller in scale) which would not justify an entry on the register.
Asset Management
Opportunity managed and removed. Asset management plan, subsidiary asset management delivery plan and disposal process established.

Lakeside Basin

Opportunity removed. The transformation of the Lakeside Area is now incorporated in the long term strategic planning of the Borough. On the 12th February 2014 Cabinet authorised the review of the Adopted Thurrock Core Strategy and the preparation of a new Local Plan to guide the development of the Borough over the period to 2031. As a result of this decision work on the Site Allocations Local Plan, which included an Inset Plan for Lakeside, will now be rolled forward and merged with the preparation of the new Borough-wide Local Plan. This will have significant implications in terms of the programme and milestones set out in the register for the delivery of the Lakeside project. In short these will need to be re-aligned with the timescales for preparing the new Local Plan and it therefore makes sense to manage the Lakeside and Local Plan processes as one, with strategic oversight and risk management being provided by both Growth Board and a new Lakeside Programme Board.

London Gateway

Opportunity realised with the opening of the first berth of the port in November 2013. On the 12th February 2014 Cabinet authorised the review of the Adopted Thurrock Core Strategy and the preparation of a new Local Plan to guide the development of the Borough over the period to 2031. As a result the ongoing management and strategic oversight of the London Gateway and Local Plan is to be provided by Growth Board.

Purfleet Regeneration

The opportunity on Purfleet can be removed as appointing the development partner is the realisation of the opportunity at a strategic level.

Thurrock Learning Campus

Opportunity managed. The Thurrock Learning Campus is now largely complete and the Council can reasonably consider that it has realised this opportunity.

- 3.5 The whole register has been filed on the J:\THURROCK\EXCHANGE file under ROM\ROM Q1 Refresh_SC R&O Register.
- 3.6 A copy of the register was also made available via the Members Library and additional copies made available on request from the report author.

4. Reasons for Recommendation

- 4.1 One of the functions of the Standards and Audit Committee under the Terms of Reference of the Constitution is to provide independent assurance that the Authority's risk management arrangements are adequate and effective
- 4.2 To enable the Standards and Audit Committee to consider the effectiveness of the Council's risk and opportunity management arrangements the report is presented on a bi annual basis and provides details of how the key risks and opportunities facing the Authority are identified and managed.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The Corporate Risk Officer has engaged with Services, Department Management Teams, Performance Board and Directors Board to refresh the Strategic Corporate Risk and Opportunity Register.
- 5.2 The revised Strategic/Corporate Risk and Opportunity Register (In Quarter 1 Report) was reported to Directors Board 27th May 2014 and Performance Board representatives 2nd May 2014.

6. Impact on corporate policies, priorities, performance and community impact

6.1 ROM is recognised as a good management practice and how successful the Council is in managing the risks and opportunities it faces will have a major impact on the achievement of the Council's priorities and objectives.

7. Implications

7.1 Financial

Implications verified by: **Michael Jones**
Management Accountant

Effective risk and opportunity management and the processes underpinning it will provide a more robust means to identify, manage and reduce the likelihood of financial claims and/or loss faced by the Council.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal & Deputy Monitoring Officer

Effective risk and opportunity management and the processes underpinning it will provide a more robust means to identify, manage and reduce the likelihood of legal claims or regulatory challenges against the Council

7.3 Diversity and Equality

Implications verified by: **Teresa Evans**
Equalities and Cohesion Officer

The management of risk and opportunities provides an effective mechanism for monitoring key equality and human right risks associated with a range of service and business activities undertaken by the Council. It also provides a method for reducing the likelihood of breaching our statutory equality duties.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

Risk and opportunity management contributes towards the Council meeting the requirements of Corporate Governance and the Account & Audit Regulations.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Strategic/Corporate Risk and Opportunity Register, April 2014 (In Quarter 1 report). The document can be accessed via the J:\THURROCK\EXCHANGE file under ROM\ROM Q1 Refresh_SC R&O Register

9. Appendices to the report

- Appendix A - Dashboard
- Appendix B - In Focus report

Report Author:

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