

9 December 2014		ITEM: 7
Standards and Audit Committee		
Review of the Strategic/Corporate Risk and Opportunity Register, In Quarter 3 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 a public report		

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 September and October to review the Strategic Corporate Risk and Opportunity Register.

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

- 1. Recommendation(s)**
 - 1.1 That Standards and Audit Committee comment on the items and details contained in the Dashboard (Appendix A).**
 - 1.2 That Standards and Audit Committee comment on 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.**

1.3 That Standards and Audit Committee comment on the information outlined in Appendix C and section 3.6 of the report, which compares the Council's Strategic/Corporate Risk & Opportunity Register against Zurich Municipal's assessment of the key risks/challenges facing the local government sector.

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 The Risk and Opportunity Management Policy, Strategy and Framework were revised and reported to Cabinet 19th March 2014, via Standards & Audit Committee 6th February 2014 and Directors Board 14th January 2014.

2.4 Under the revised ROM Policy, Strategy & Framework the updates to the Strategic/Corporate Risk and Opportunity Register are reported to Directors Board quarterly and Standard & Audit Committee on a bi annual basis.

2.5 Work to refresh the Strategic/Corporate Risk and Opportunity Register was undertaken during March/April 2014 and the In Quarter 1 review was reported to Standards and Audit Committee 10th July 2014, via Directors Board 27th May 2014.

2.6 The In Quarter 2 Review of the Strategic/Corporate Risk and Opportunity Register was undertaken during June/July 2014 and reported to Directors Board 22nd July 2014.

2.6.1 The key changes to the Strategic/Corporate Risk and Opportunity Register captured by the In Quarter 2 Review are outlined below for Standard and Audit Committees reference:

Risk - In reference number (numeric) order

Contract Management Consistency, Risk 15 - Risk managed to target rating of 3, within the target time frame and item removed from register.

Procurement and Commissioning Board established and overseeing the implementation of initiatives to transform the procurement/contract management arrangements and to achieve the procurement savings targets. The likelihood of the risk occurring has diminished considerably since the Quarter 1 Review, and is unlikely to occur; thus a likelihood rating of 1 evaluated as the risk of its occurrence is now semi-negligible. The service suggests the removal of the risk from the register as the overall risk rating does not exceed 3. Risk decreased from 9 (amber) to 3 (green). Risk managed to the target rating within the time frame and item removed from the register

Data Security and Encryption, Risk 22 - Risk managed to target rating of 6 within the target date of 30/06/14 but item to be retained on register for ongoing review and monitoring.

Risk managed to the target risk rating of 6 (green), within the timeframe of 30/06/14 but is to be retained on the register for ongoing monitoring/review via the Strategic/Corporate ROM arrangements. See summary provided under 3.4 of this report for progress and developments.

Political Balance/No Overall Control, Risk 31 - Risk rating decreased from 12 to 8.

The Council has established governance arrangements within its Constitution and particularly within its Scheme of delegation to ensure the sound administration of business. Statutory officers of the Council are working to ensure that the new democratic changes in terms of political balance of the Council does not have an adverse impact in terms of managing Council business or cause delay dealing with difficult issues. This will be achieved by pro-activity in terms of identifying potential issues of contention and ensuring that there is early consultation with all political groups so as to enable decision making to be taken in an informed and timely manner. As the political balance may change with a by-election and the elections in May 2015 the level of risk will correspondingly fluctuate irrespective of management intervention. It will be kept under constant review. Risk decreased from 12 (red) to 8 (amber).

Opportunity - In reference number (numeric) order

Digital Programme/IT Connects, Opportunity 28 - Opportunity increased from 4 to 8.

A programme consisting of 7 key projects will create a digital framework supporting the strategic operational themes of Community, Public Realm, Corporate and Place. Key projects include: Early Intervention, Portal, Assess and decide, EDRMS, E-Market, Management Information, Quick wins. Flexible working enabled by VDI technology, iPads, smartphones are deliverables of the Civic Offices and IT Connects Programmes. Business case to further advance the digital programme under development and to be presented to Cabinet Sept 2014. Opportunity increased from 4 (bronze) to 8 (silver).

Gloriana Thurrock Ltd, Opportunity 29 - Opportunity increased from 12 to 16.

Opportunity increased from 12 (gold) to 16 (gold). See summary provided under 3.3 of this report for progress and developments

- 2.7 The Corporate Risk Officer has worked with Services, Department Management Teams and Performance Board during September/October 2014 to review the Strategic/Corporate Risk and Opportunity Register for the In Quarter 3 report.

3. ISSUES, OPTIONS AND ANALYSIS:

- 3.1 The outcome of the In Quarter 3 Review is shown in the Dashboard (Appendix A), In Focus report (Appendix B) and the following tables.

3.2 **Appendix A – Dashboard:**

The dashboard provides a summary of the items in the register mapped against the Council's priorities and outlines the progress to manage the risks and opportunities to planned targets and timeframes.

3.3 **Appendix B – 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.

Adult Social Care, Cost and Quality Standards - Risk 1

(Rating: 12 Critical/Likely)

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 and 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).

Failure to Implement the Care Act - Risk 2

(Rating: 12 Critical/Likely)

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 act, 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.

The Council originally set a target date of September to achieve a residual risk rating score of 9. As of October, we are still rating this risk at '12'. Whilst we are confident that the Council are on track to deliver the requirements set out within the Care Act, there are a number of assumptions and unknowns associated with key elements of the Care Act – e.g. how many additional people will require a carer assessment. We are also in the process of developing systems key to the implementation of certain Care Act requirements – e.g. 'Quickheart' to meet the Council's Information and Advice officer, and also the development of a Resource Allocation System which will enable individuals eligible for care to have a personal budget (a 'must do' under the Care Act). Until we can further qualify and quantify some of the current unknowns, then the risk level will remain as is. Revised target date of 28/02/15 put forward.

Children Social Care - Risk 3

(Rating: 12 Critical/Likely)

The risk evaluates the impact of increased demand and resource pressures in children social care quality service and provision. The risk remains from the previous year. The pressures outlined throughout the 2013/14 year remain acute. They include increased volumes, increased complexity and ongoing activity to review high cost placements. The implementation of early help and the multi-agency safeguarding hub has been successful though in itself is expected to increase volume of work to children social care in the short term. It is not possible therefore to down grade the risk rating whilst this remains the case and the risk remains at high level. A range of mitigating actions have been implemented throughout 2013/14 and further actions are summarised in the management action plan for the risk. Further savings needing to be made for Children's Social Care budget will also impact but these have been risk assessed and impact on front line services reduced.

Health & Social Care Transformation - Risk 4

(Rating: 12 Critical/Likely)

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 act, 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.

ICT Infrastructure - Risk 5

(Rating: 12 Critical/Likely)

Initiatives are currently underway to manage and overcome the risk:

- Implementation of flexible/ mobile working and Voice Over Internet Protocol (VOIP) telephony to the Civic Offices
- External sites being reviewed and rationalised to enable these to be upgraded and enable flexible working
- Oracle have been commissioned to undertake a review of the existing Oracle infrastructure and have made recommendations as how to improve its deployment
- Serco have been commissioned to develop a technical architecture road map to design the

Council's infrastructure so as to optimise future system investments

- Serco have been commissioned to undertake a feasibility study to move the server estate off site and into 'the cloud' to improve resilience, Disaster Recovery and reduce costs

Delivery of MTFS 2014/15 - Risk 6

(Rating: 12 Critical/Likely)

The Council continues to monitor in year spend and is forecasting a breakeven position after mitigating actions were taken earlier in the year.

Delivery of MTFS 2015/16 to 2017/18 - Risk 7

(Rating: 12 Critical/Likely)

The Council's budget gap for the three years currently stands at circa £4m. However, this relies on all savings being both agreed and delivered. In addition, Directors Board now monitors the top six riskiest budget proposals on a monthly basis and will revise the budget gap accordingly where these are found not to be deliverable all or in part. The total of these risk proposals stands at £12m over the three years.

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 Official Journal of the European Union (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. Work ongoing between the Council and the developer to map out the programme for the delivery of the project.

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 Essential Living Fund 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. Discretionary Housing Payment has been used to minimise the impact; Housing Benefit 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 Disability Living Allowance to Personal Independent Plan is being monitored and numbers will grow as people switch at their review point. Delays remain the biggest problem.
- Localised Council Tax Support – 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 Work and Pensions Secretary announced in 29 September, that Universal Credit will be rolled out across the country, to all Local Authorities and Jobcentres from February 2015. This will be for new claims from single jobseekers such as people entitled to Job Seekers Allowance, and will include; Housing Costs and Tax Credits. The roll-out to all other categories of people including Couple's and families with children is continuing in a phased process in all chosen pilot areas, but is expected to be completed by 2016/2017.
- Universal Credit has faced significant delays because of IT and other implementation problems. There are opportunities to see if we can get joined up professional Benefits, Money and Employment advice and support services between the Council and the Job Centre Plus/Dept of Works & Pensions.
- 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.

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. The Critical Incident Plan for Gable Hall School has been completed and is awaiting final sign off by the head teacher. The team has presented the new service at head teacher briefings for secondary and primary schools within Thurrock. This service will also be promoted at the EXPO in January 2015.

There may be issues around meeting the target risk rating of 9 due to the reduction in staffing levels of the Emergency Planning Team and will depend on the Business Continuity review of business continuity sitting with Services Managers due to the savings and cuts the council have to make.

Communications/Poor Reputation - Risk 14

(Rating: 12 Substantial/Very Likely)

Communications restructure is currently being consulted upon with staff. In the meantime, the team is having to work below core minimum, including covering the recently vacated Marketing manager post. Whilst the consultation continues it will be necessary to prioritise urgent media and communications work only. Once the new structure, if implemented post consultation, is embedded the team will be at core minimum, and will prioritise work more strategically. A paper is going to Leadership Group in October to agree those priorities and the plan and schedules for the remainder of the year. In the meantime, the likelihood of this risk being realised has increased to a 12 rating, but is expected that by the next quarterly report this will have dropped back to a rating of 9

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

Gloriana Thurrock Ltd - Opportunity 29

(Rating: 16 Exceptional/Very 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.

South East Local Enterprise Partnership - Opportunity 26

(Rating: 12 Exceptional/Likely)

The Council has taken greater responsibility within the Thames Gateway South Essex Partnership to lead discussions within the Local Enterprise Partnership (LEP) and ultimately with Government to secure developed Strategic Local Growth Fund monies to support the delivery of a range of capital and revenue projects within Thurrock and elsewhere in TGSE. The initial submission went in at the end of March 2014 and Government announced funding for projects in July 2014. The bulk of the funding announced was for transport related schemes where TGSE and in particular Thurrock won a significant share of the funding committed in the South East Local Enterprise Partnership (SELEP) area, including up to £80m to support the widening of the A13.

Business Rate (NNDR) Pooling - Opportunity 30

(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. Assessment of financial impact of the pool commissioned and on-going monitoring systems developed.

3.4 As a result of the review there have been some key changes to a number of the items and these revisions are summarised in the following table:

Failure to Implement the Care Act, Risk 2 - Target date changed from 30/09/14 to 28/02/15.

Target date revised from 30/09/14 to 28/02/15. See summary provided under 3.3 of this report for developments.

Asset Management, Risk 12 - Target rating changed from 3 to 8

The Medium Term Financial Strategy anticipates that £4m asset sales will be achieved in 2014/15. In the year so far, there have already been disposals amounting to £1m, with another £1.64m in the pipeline for completion before the end of the year. Additionally unconditional offers on 2 further sites have been received for £2.95m which would take receipt for the year to £5.59m – comfortably exceeding the target. However, the same two properties have received higher alternative offers, which are conditional on time being allowed for detailed planning consents to be achieved. In this case the sum received for the two properties would be £5.75m – an additional £2.8m, but this will be achieved in 2015/16 rather than in the current year.

Therefore a conscious decision has been taken to miss the target rating of 3 set in order to achieve a significantly better result during 2015/16. The revenue impact in 2014/15 of achieving

only £2.64m sales instead of the £4m budgeted for is approximately £250k. However, this pressure is more than recompensed by the additional benefit of the £2.8m achieved for the two sites in question providing this is achieved during 2015/16. Target rating revised to 8.

Managing Change/Capacity for Change, Risk 19 - Target rate changed from 4 to 9 & target date changed from 30/09/14 to 31/03/15.

The management action taken to mitigate the risks was in the context of a balanced budget, limited need for staff reductions and delivery of the corporate Transformation Programme. Despite these interventions the residual risk remains categorised at 9 (Substantial/Likely) as the council now faces increased challenges. Due to the level of change and potential staff impact, People Board maintained a risk level of 9 to assure appropriate attention. The target risk rating has been revised from 4 to 9 and the target date changed to 31/03/15.

Data Security and Encryption, Risk 22 - Risk managed to target rating of 6 and target date of 30/06/14 but item is to be retained on the register for ongoing review/monitoring.

The Council has a number of controls in place to manage the risk (e.g. Information Security Policy, Data Security Policy, User acceptance statement as part of log in process, encrypted memory sticks, device control mechanism to prevent data being removed from network to unencrypted memory sticks, etc). Positive progress has been made as a result of the work between the Information Management Team and Heads of Service to ensure that laptop devices are encrypted or returned to the Council if no longer in use. As at 13/10/14 there are 8 outstanding devices on the list. The Information Management Team are to work with the relevant service areas and IT to establish if any of the outstanding 8 items should be referred to HR as a policy breach. However HR action will be undertaken where appropriate and some additional checks are required prior to doing this. The risk is managed to the required level within the timeframe set but is to be retained on the register for ongoing monitoring/review via the Strategic/Corporate ROM arrangements until the 8 outstanding items in question are managed. Position to be reconsidered in the next quarter review scheduled for Dec/Jan.

School Place Planning, Risk 23 - Risk managed to target rating/target date and item to be removed from the register.

There is a good process now in place. We now produce a Pupil Place Planning document each year that is widely consulted on. An external evaluation of the methodology and processes has been undertaken and found the Authority has sound procedures in place and the system for forecasting pupil numbers, was robust. The Pupil Place Planning forecasting takes place on an annual basis and the ongoing management of this will be managed at service level. It has also been agreed that a sub group of the Schools' Forum will be set up to work with the Authority in reviewing data and playing a part in consulting on how any identified demand for places will be met. Risk managed to target rating/date and item to be removed from the register.

Data Quality, Risk 25 - Target date changed from 30/09/14 to 31/12/14 to fit revised action plan & timeframe.

Current processes and governance arrangements have not identified any immediate concerns and the rating of the risk remains the same (rating of 4). However this may change as a result of the Internal Audit Data Quality review. Internal Audit are currently undertaking an audit on new Key Performance Indicators (KPIs) in the corporate scorecard and following up on audit findings from 2014-15. The results are expected from this in late September/early October and will be presented to Performance Board for further action where necessary. Target date moved to the 31/12/2014 to fit revised action and timeframe.

- 3.5 The whole register has been filed on the J:\THURROCK\EXCHANGE file under ROM\ROM Q3 Review_SC R&O Register.
- 3.6 The work to compare the Council's Strategic/Corporate Risk and Opportunity Register against Zurich Municipal's assessment of the key risk/challenges facing the local government sector is covered in Appendix C, Parts 1 and 2.
- 3.6.1 **Appendix C, Part 1** - Zurich Municipal's View, Local Government Risk Ranking: This extract from Zurich Municipal's recently published report outlines their assessment of the key risks/challenges facing the local government sector. The risk ranking shown is not meant to reflect the specific risk profile of any

one organisation but does provide a good benchmark to compare against the Council's Strategic/Corporate Risk and Opportunity Register.

3.6.2 **Appendix C, Part 2 - ZM's View Compared to the Council's Strategic /Corporate Risk and Opportunity Register:**

This document compares the list of risks incorporated in Zurich Municipal's assessment against the items in the Council's Strategic/Corporate Risk and Opportunity Register.

3.6.3 The document shows:

- Overall there is a good match between the Council's register and ZM's list.
- A gap against the Fraud risk category. ZM who are the main provider of insurance and related services to local authorities have identified a growing trend of fraud in the local government sector. To date this has not been identified by the Council as a significant corporate risk facing the authority.

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 review the Strategic Corporate Risk and Opportunity Register.
- 5.2 The revised Strategic/Corporate Risk and Opportunity Register (In Quarter 3 Report) was reported to Directors Board 11th November 2014, via Performance Board 3rd November 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: **Sean Clark**
Head of Corporate Finance

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, October 2014 (In Quarter 3 report). The document can be accessed via the J:\THURROCK\EXCHANGE file under ROM\ROM Q3 Review_SC R&O Register
- Zurich Municipal's report 'New world of risk'. A copy of the full report can be accessed via the J:\THURROCK\EXCHANGE file under ROM\ROM Guidance & Info\ZM Report_New World of Risk 2014.

9. Appendices to the report

- Appendix A - Dashboard
- Appendix B - In Focus report
- Appendix C - ZM View: LG Risk Ranking and ZM View Compared to Thurrock Council's S/C R&O Register.

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