

23 February 2023		ITEM: 6
Standards & Audit Committee		
In Quarter 4 Review of the Strategic/Corporate Risk and Opportunity Register		
Wards and communities affected: All	Key Decision: Non key	
Report of: Andy Owen, Corporate Risk and Insurance Manager		
Accountable Assistant Director: n/a		
Accountable Director: Gareth Moss, Chief Financial Officer		
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, reports on the review of the register are presented on a bi-annual basis which provide details of how the key risks and opportunities facing the authority are identified and managed.

The Corporate Risk and Insurance Manager has engaged with Services, Department Management Teams, Performance Board and Directors Board during January 2023 to review the Strategic/Corporate Risk and Opportunity Register.

This has been conducted in the context of the wider intervention at the Authority which commenced on 2 September 2022 and the issue of the Section 114 notice on 19 December 2022. This is considered further in Section 2.6 below.

This report provides Standards and 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 review and comment on the items and details contained in the Dashboard (Appendix 1).**
- 1.2 That Standards and Audit Committee review and comment on the 'In Focus' report (Appendix 2), which highlights higher priority risks and opportunities identified by the review.**
- 1.3 That Standards and Audit Committee note the position with regard to the Government Intervention outlined in 2.6 to 2.12 of the report and in**

particular the Best Value Inspection of the governance arrangements (including risk management) detailed under sections 2.6 and 2.12.

1.4 That Standards and Audit Committee note that the Strategic/Corporate Risk and Opportunity Register will be refreshed in this context in 2023/24.

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 The Strategic/Corporate Risk and Opportunity Register was refreshed during July to September 2022 and the outcome of the exercise reported to Standards & Audit Committee 20 October 2022 via Directors Board and Performance Board in September 2022.

2.3 A further exercise was carried out with Services and Department Management Teams during October 2022 to update the register and the outcome of the review was presented to Performance Board 10 November 2022

2.4 For the In Quarter 4 Review the Corporate Risk and Insurance Manager has engaged with Services, Department Management Teams, Performance Board and Directors Board during January and February 2023 to update the Strategic/Corporate Risk and Opportunity Register.

2.5 The review has resulted in some changes to the register and the updated schedule is included at Appendix 1.

2.6 On the 2 September 2022 DLUHC announced directions to implement an intervention package at the Council. The Secretary of State exercised his powers under section 15(11) of the Local Government Act 1999 to give a Direction without complying with the requirement at section 15(9) to give Thurrock an opportunity to make representations about the Directions, as he considered the failures of the Council's compliance with its Best Value duty in respect of the functions specified in the Directions sufficiently urgent. This was because of the following:

- the scale of the financial and commercial risks potentially facing the Authority, which were compounded by the Authority's approach to financial management and the seriousness of the allegations that were made by third parties about the processes applied to the operation of the Authority's commercial strategy, and
- the failure of the Authority to provide assurance to Ministers and the Department on the adequacy of the actions that they were taking to address the issues, taking account of the scale and pace of the response required.

The Secretary of State nominated Essex County Council to the role of Commissioner

- 2.7 The Council has subsequently worked with the Commissioners and the Department of Levelling Up, Housing & Communities (DLUHC) to develop an Improvement & Recovery Plan (I&RP) in response to the directions.
- 2.8 On the 19 December 2022 the Council's Acting Director of Finance & Section 151 Officer issued a report under Section 114 of the Local Government Finance Act 1988, which highlighted the extremely serious nature of the financial situation facing the Council.
- 2.9 On the 23 December 2022, the Acting Chief Executive issued a public response to acknowledge the scale of the financial challenge, the action needed to put the Council on a secure long term financial footing, the levers available to mitigate the gaps and the exceptional financial support required from government to support the budget position.
- 2.10 The Council continues to work with the Commissioners and DLHUC to address the financial position and deliver/update the I&RP to manage the situation.
- 2.11 The Commissioners are due to report the results of the Best Value Inspection to Government on the 17 February 2023 and the I&RP will be updated to address the recommendations in the report.
- 2.12 Any risk management improvement opportunities identified from the Best Value Inspection will be used to inform plans to further embed the ROM arrangements across the Council and updates on the position with regard ROM will be reported in subsequent papers to Standards & Audit Committee.
- 2.13 At its meeting on 1 February the Directors Board (DB) further considered the Risk Register. In doing so DB recognised the need to strengthen its role in both reviewing the operational and service-based risks ("bottom up"), but also the need to strengthen its involvement in the assessment, understanding and management of strategic risks ("top down"). This will further strengthen the process and ensure ongoing corporate ownership of the register.

3. Issues, Options and Analysis of Options

- 3.1 The outcome of the In Quarter 4 Review is shown in the Dashboard (Appendix 1) and In Focus report (Appendix 2).
- 3.2 Appendix 1 – Dashboard
The dashboard provides a summary of the existing items in the register mapped against the council's priorities, shows the significance of the risks and opportunities, the ratings for the items along with the management time frames.

- 3.3 Appendix 2 – Risks and Opportunities In Focus report
This document highlights the higher priority items identified by the review.
- 3.4 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.
- 3.5 For members information the Criteria Guide for Impact and Likelihood levels are included under Appendix 3 to show the guidelines used to rate and prioritise the items.
- 3.6 From the exercise one item has been removed and a new item added. The details are summarised below:
- 3.6.1 Welfare Reform, Risk 5, Removed – The Risk on the Council’s finances through Welfare Reform has reduced significantly and residual risk rating downgraded from 12 to 8. Item to be removed from the register and ongoing monitoring and management to be maintained via the Fuel Poverty and Cost of Living steering groups and the Cost of Living, Fuel Poverty Risk 7.
- 3.6.2 Delivery of the Improvement Plan, Risk 26, Added – See In Focus Report, Appendix 2 for details.
- 3.7 The register is due to be refreshed in the next review (i.e., existing items updated, old items removed, and new items added) and this will enable any new or emerging items identified from the work with the Commissioner, Directors and DLHUC (e.g. Directions, I&RP, BVI Report, etc.) to be incorporated in the register.

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 reports on the reviews of the register are presented on a bi-annual basis and provide 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 and Insurance Manager has engaged with Services, Department Management Teams, Performance Board and Directors Board to review the Strategic/Corporate Risk and Opportunity Register.

5.2 The updated Strategic/Corporate Risk and Opportunity Register was presented to Directors Board on the 01 February 2023 and Performance Board representatives 30 January 2023

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: **Dammy Adewole**
Senior Accountant, Central Services

The council is currently subject to a Section 114 notice and this report indicates the level of risks in the different services, reducing some of these risks' ratings will require additional in resources in some cases which will impact the expenditure budgets.

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: **Gina Clarke**
Governance Lawyer & Deputy Monitoring Officer

The Accounts and Audit Regulations 2015 requires the Council to have in place a sound system of internal control which includes effective arrangements for the management of risk. Effective risk and opportunity management and the processes underpinning it will provide a more robust means for ensuring that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

Paragraph 4 of the Financial Procedure Rules (FPR) states that the Corporate Director Resources and Place Delivery is responsible for ensuring adequate risk and opportunity management are in place although this function may be carried out within another Directorate. Further, all Directors and Assistant Directors and Budget Holders must take steps to minimise potential losses through preventative measures to regularly review their service risk registers and the Corporate Risk Register and report major changes to the Corporate Risk.

Paragraph 4.10 (FPR) states that the Corporate Risk Register will be reported to the Cabinet and the Standards and Audit Committee on a quarterly basis or more frequently, if appropriate.

In providing independent assurance that the Authority's risk management arrangements are adequate and effective, paragraph 1.2.2 (a) (b)& (e) the Terms of the Reference for this Committee includes considering or reviewing specified plans and reports and the action taken and advising the Council and/or the Cabinet, as appropriate on internal and external audit plans and progress against plans and summaries of external and internal audit reports and progress against recommendations and reports from inspection agencies.

This report has highlighted that Council is now subject to Government intervention and also a Section 114 Notice. The impact of these legal measures may identify further risks for the Council to consider enabling appropriate decisions and effective actions to be taken.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Lee**
Team Manager, Community Development & Equalities

The management of risk and opportunities provides an effective mechanism for monitoring and addressing 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 statutory equality duties, specifically, the Equality Act 2010 and Public Sector Equality Duty.

7.4 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder and Looked After Children

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, January 2023. The document can be accessed via the following shared Risk and Opportunity Management file on Objective:
<https://edrms.thurrock.gov.uk/id:A8110665/document/versions/latest>

9. Appendices to the report

- Appendix 1 - Dashboard
- Appendix 2 - In Focus report
- Appendix 3 - Criteria Guide for Impact and Likelihood

Report Author:

Andy Owen

Corporate Risk and Insurance Manager