

**12 December 2016**

**Audit & Scrutiny Committee**

**Strategic & Operational Risk Review**

**Report of:** *John Chance, Finance Director*

**Wards Affected:** *None*

**This report is:** *Public*

## **1. Executive Summary**

- 1.1 The report updates members of the Audit, Scrutiny and Transformation Committee on the status of the Council's 2016/17 Strategic Risk Register and the progress being made across Services in delivering Operational Risk Registers.

## **2. Recommendations**

- 2.1 To agree amendments to the Strategic Risk Register and that the risk scores recorded for each risk accurately represents the current status of each risk.**
- 2.2 To agree the risk exposure changes to the Operational Risks**

## **3. Introduction and Background**

- 3.1 The governance arrangements set out in the 'Insurance & Risk Management Strategy' require the Audit & Scrutiny Committee to review the strategic risks every quarter and the operational risks every six months.
- 3.2 The strategic and operational risk registers are monitored quarterly by the Corporate Leadership Board (CLB) who consider the risks, the mitigations and agrees the content. It is the responsibility of the Audit & Scrutiny Committee to review the strategic risks and confirm they are confident that the risks associated within this register are those which are strategic and relevant to the organisation at this point in time and the considered future.
- 3.3 At the meeting of the Audit & Scrutiny Committee on 19 September 2016 it was reported that Zurich Risk Engineering had held a training session

for Operational Risk Register owners on 5 July. This session was to discuss the new reporting structure, ways to improve the risk definitions & descriptions and highlight the requirements for the summary reporting template. Following on from the training, Services have been engaged in a revision to their Operational Risk Registers and to align risks with the Corporate Plan.

#### **4. Issue, Options and Analysis of Options**

##### **Strategic Risks**

- 4.1 In accordance with the Council's Insurance and Risk Management Strategy, risk owners have reviewed their risks and risk scores. These were discussed and agreed by CLB on 14 November 2016.
- 4.2 Attached to this report at Appendix A is a summary showing the current status of each risk and any movement in risk score compared with previous monitoring periods, together with explanatory commentary on the key issues for each risk.
- 4.3 As a result of the current risk review three risks have decreased and nine scores have remained unchanged.
- 4.4 The three risks where the risk score has reduced are as follows:
  - Amber risk RSK5 – Information Management and Security (Row No. 6)  
This risk has been reduced as the Information Manager at Thurrock council was commissioned in October to review existing data Protection Policy and write a more encompassing 'Data Handling Policy'. This will form the basis of a mandatory online training for all staff.
  - Amber risk RSK4 – Organisational Capacity (Row No. 7)  
This risk has been reduced as the new corporate structure is now in process and awaiting final HR advice.
  - Amber Risk RSK10 – Failure to spend Capital Receipts HRA (row 5)  
This risk has been reduced as we have achieved the 31 December 2016 deadline, as the contract for the new build development has been awarded to Borrás Construction Ltd.

## Risk Matrix

- 4.5 The twelve risks are plotted on the risk matrix in Table 1. The current assessment identifies that two risks will remain in the red area of the risk matrix.

Table 1 – Risk Matrix

Likelihood/Probability	5	10	15	20	25 RSK1
	4	8	12	16 RSK11	20 RSK12
	3	6	9 RSK5	12	15 RSK2
	2	4	6	8 RSK3 RSK4 RSK7 RSK8	10 RSK13
	1	2	3	4 RSK9	5 RSK10
	Negligible	Minor	Moderate	Significant	Major
	Negative Impact/Severity				

No.	Risk	No.	Risk
1	Finance Pressures	8	Contract/Partnership Failure
2	Local Development Plan	9	Lack of Strategic Direction
3	Disaster Recover/Continuity Planning	10	Failure to Spend Capital Receipts
4	Organisational Capacity	11	Roll out of Universal Credit
5	Information Management and Security	12	Extension of Right to Buy to registered provider tenants
7	Commercial Activities	13	Failure to deliver key Corporate Projects

## Operational Risks

- 4.6 Operational risk management is concerned with reviewing those risks that are faced in the day-to-day delivery of services, particularly where effective management of those risks could result in a reduction in insurance claims and related costs.
- 4.7 Following on from the training session with Zurich Risk Engineering in July 2016, risk owners have been reviewing their risks.
- 4.8 All Services have therefore now either completed a review of their Operational Risk Registers or are reporting work in progress. At the time of writing this report there were 46 operational risks, comprising 1 high (red) risk, 26 medium (amber) risks and 10 low (green) risks.
- 4.9 The table below shows the total number of risks identified in operational risk registers across the Council.

<b>Risk Group</b>	<b>No. of open risks on register</b>	<b>Low Risk</b>	<b>Medium Risk</b>	<b>High Risk</b>
Assets	6	5	1	
Corporate Services	6	1	4	1
Finance	8	7	1	
Housing, Revenues & Benefits	4	1	3	
Localism	4	2	2	One closed
Planning & Environmental Health	10		10	
Street Scene	8	3	5	

- 4.10 Attached to this report at Appendix B is an operational risk summary report showing significant risk exposure changes and one new risk.

## **5. Reasons for Recommendation**

- 5.1 Risk Management continues to be embedded quarterly within the Senior Management Team reports, where Service Heads discuss the top level risks for their service areas to ensure that the risks are updated to reflect the ongoing changes.
- 5.2 In addition the Risk & Insurance Officer will continue to work with risk managers to maintain the good progress to date and further develop a consistent application of risk management considerations across all operations of the Council.

## **6. Consultation**

6.1 None.

## **7. References to Corporate Plan**

7.1 Effective risk management arrangements will enable the Council to achieve its corporate priorities. The process will allow identification of risks and issues enabling informed decision making to remove or reduce them in order for the priorities to be achieved.

## **8. Implications**

### **Financial Implications**

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

### **Legal Implications**

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8.2 Effective risk management provides a means of identifying, managing and reducing the likelihood of legal claims or regulatory challenges against the Council.

## **9. Appendices to this report**

Appendix A – Strategic Risk Register Summary Report

Appendix B – Operational Risk Register Summary Report

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