

Agenda Item No:

Report to: Audit Committee

Date of Meeting: 19 January 2011

Report Title: Operational Risk Registers

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform Members of the Operational Risks facing Hastings Borough Council and provide assurance that control arrangements are in place.

Recommendation(s)

- 1. To note the Operational Risk Registers and acknowledge the proposed process for monitoring, managing and reporting risk in the future.**

Reasons for Recommendations

A commitment was made in the Corporate Risk Register Report to Audit Committee, 27 September 2010, that an Operational Risk Registers Report would be taken to the 19 January 2011 meeting.

In accordance with part 3, Responsibility for functions of the Council's Constitution, the Audit Committee shall under section (g)(i) review, evaluate and approve the effectiveness of the Council's processes for assessing significant risk exposures and the measures management has taken to mitigate such risks to an acceptable level.

Introduction

Background

1. Hastings Borough Council's greatly refreshed 'Risk Management Strategy', 'Risk Management Policy' and Risk Management for Managers - Guidance on Risk Assessment Risk' were adopted by Cabinet on 13 July 2009. The Strategy reflected on the good work done to date to create a risk management culture within the organisation and made a commitment to further embed risk management within the Council's day to day business and set out how it envisaged this would be achieved. In accordance with the Risk Management Strategy, general Risk Management training has been provided to officers during June and July 2010 by ZM. The content of this report relates to that training.
2. This is the first time that the Hastings BC Operational Risk Registers have been formally reviewed by the Audit Committee.
3. A lot of different terms are used to describe types of risk, for example, Operational Risk, Service Risk, Directorate Risk etc. This can cause some confusion and so to avoid that possibility, we intend using the term Operational Risk to describe those risks encountered in the course of the day-to-day running of services.
4. This first annual review provides the opportunity for the Audit Committee to consider the risks that have been identified, the control arrangements in place and whether the Council has devoted sufficient resources to control the risks identified. Changes in the level of perceived risks will be able to be monitored during future reviews.
5. The Operational Risk Registers are intended to give the Audit Committee and Corporate Management Group insight into the potential threats to the Council at operational level and the danger each one represents. The processes involve: -

Assessment and monitoring of a risk to the Council

The probability of the risk occurring

The impact to the Council should it occur

The Council's ability to avoid or reduce the impact

Whether the costs of preventative action are justified

6. The Operational Risk Registers are shown at Appendix A.

Detailed process for determining Hastings BC's Operational Risks

7. A robust and clearly defined process for managing risks is now in place across the organisation. Both the Corporate Risk Register and the Operational Risk Register are linked to the priorities set out in the Council's Annual Corporate Plan and its service level objectives.

8. The Operational Risk Register is now a standing item at each Directorate Management Team meeting. Whilst not every risk is considered every time, any item where the risk or the measures being taken to mitigate it have changed significantly will be discussed and the appropriateness of the new risk rating or mitigation measures agreed.
9. The variations to the Operational Risk Register will then be reported to the quarterly Corporate Risk Management Group meeting for consideration and confirmation and then on to the Corporate Management Group for further review etc.
10. Both Corporate and Operational Risk Registers will be reported to Audit Committee on an annual basis (on a six monthly alternating cycle). The covering report will be used to highlight new or significantly changed risks since the previous reports to help Members of the Audit Committee focus on the key issues for the Council.

Quantification of risk

11. The method for evaluating risk is still subjective at this stage and attempts are made to use external forecast data, for example, environmental severe weather reports, where feasible. Enquiries are being made, primarily through the Association of Local Authority Risk Managers (ALARM) to ascertain whether more of the risk evaluation could be quantified.

Link to Corporate Risks

12. The Risk Management Strategy set out how objectives and service targets in the Corporate Plan needed to be risk assessed and how this should form the basis of the Council's risk register. The register must however be a living document that is regularly reviewed at all levels with those high risks that are not being effectively mitigated or those that are escalating reported through to higher levels of management within the organisation.
13. All of the operational risks are linked to the strategic objectives set out by the Council and some (but not all) are linked to the Corporate Risks facing the Council too, for example, reductions in government funding, insufficient capacity organisational change whilst maintaining service delivery, risk of successful legal challenge and loss of key staff / skills / knowledge etc.

Highest risks to the Council

14. It is intended for future reports to Audit Committee on the Operational Risk Registers that a narrative will be provided on any new risks, opportunity risks for consideration and where movement from residual risk (that is to say the risk after mitigating controls have been taken into account) to actual risk is adverse.

Risk Management

15. This report has described the embedded process for the Council reviewing its Operational Risks covering both the background and detailed process for determining Hastings Borough Council's Operational Risks. A process that is practical, simplified yet fit for purpose and consistent has now been embedded into the Council's management processes.

16. It has been seen that there are frequent changes to the Operational Risks and particularly to the sensitivity of some of them. The Risk Management process fully recognises this and so there are procedures in place for highlighting these to the Audit Committee much sooner if necessary including although not restricted to, reporting through audit and other inspection reporting.

Organisational Consequences

17. Directorates will continue to review any changes to their Operational Risks and an annual review will be submitted to Audit Committee.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	No
Human Rights Act	No
Organisational Consequences	Yes

Background Information

CMG Report Embedding Risk Management - 4 March 2010
ZM Risk Management Workshop Reports - June & July 2010

Officer to Contact

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