

Agenda Item No: 7

Report to: Audit Committee

Date of Meeting: 18 January 2012

Report Title: Hastings BC Operational Risk Register

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Corporate Director Environmental Services

Purpose of Report

To inform Members of the current Operational Risks identified for Hastings Borough Council and the measures put in place to mitigate those risks.

Recommendation(s)

- 1. To acknowledge the risks identified in the report and comment as appropriate.**

Reasons for Recommendations

As part of the Corporate Risk Management Strategy agreed by Cabinet in July 2009, the Operational Risk Register is to be reviewed by the Audit Committee each year. This is the second such report to be brought to this Committee and demonstrates the effectiveness of the process as the register becomes more refined and focused on the key operational risks to the local authority.

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.
2. As part of that Strategy, the Operational Risk Register is subject to monthly review at the relevant Service Departmental Management Teams, and any revisions to the risk Assessment are fed into the quarterly meeting of the Corporate Risk Management Group. The Strategy also requires that the Operational Risk Register be reviewed by the Audit Committee each year.
3. This is the second such report to be brought to this Committee and demonstrates the effectiveness of the process as the register becomes more refined and focused on the key operational risks to the local authority.
4. The Operational Risk Register is intended to give the Audit Committee and Corporate Management Group a holistic view of the potential threats to the Council at operational level, the danger each one represents, and the mitigation measures that have been put in place to minimise any impact. The processes involve: -
 - Identifying a risk to the Council;
 - Assessment of the probability of the risk occurring;
 - Monitoring of that risk;
 - Assessing the impact to the Council should it occur;
 - Identifying measures to mitigate that risk or avoid it;
 - Whether the costs of mitigation are justified.
5. The reason for reviewing these risks in this way is to manage risks that could potentially: -
 - Inhibit the Council's ability to operate effectively or efficiently,
 - Damage the reputation of the Council and/or affect funding opportunities/grants,
 - Put the Council at risk from legal proceedings
6. The processes for reviewing the Council's Operational Risks covering both the background and detailed procedures for determining Hastings Borough Council's Operational Risks are set out in Appendix A. This process which is practical,

simplified, yet fit for purpose and consistent has now been embedded into the Council's management processes.

7. There are frequent changes to the Operational Risks and particularly to the sensitivity of some of them during the monthly and quarterly reviews. 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
8. The detailed Operational Risk Register can be found at Appendix B.

Main changes to risks in the past year

9. The recent restructure of the Council has introduced additional risks for the local authority which can be viewed at a Strategic or Operational level.
10. At an Operational Level the risks are associated with resilience of some individual services as they are merged into the new structure with a reduction in senior management and technical expertise as a result of the reduction in the number of Heads of Service.
11. At a Strategic Level the risks relate firstly to the overall impact of the restructure, (driven effectively by significant reductions in funding) on the Council's ability to deliver services and the capacity and willingness of the Council to effectively identify priorities, identify new and more efficient methods of service delivery and to identify services that will no longer be provided at all.
12. Secondly the restructure sought to deliver a change in the culture of the organisation through increased delegation and empowerment of Heads of Service and Senior Managers, enabling them to agree outcomes and determine methods of achieving those outcomes without higher level intervention. This approach is not without significant risk and its success will depend on the ability of, and confidence of the organisation in, those Heads of Service and Senior Managers and the capacity of the organisation to mentor and develop their abilities still further.
13. These risks will be evaluated further at both Strategic and Operational level and then incorporated into the next round of Risk Register Reviews.

Other changes to risk ratings

14. Further work has been undertaken during the year refining the operational risk register. As a result, the number of highest risks has reduced but there has been an increase in the overall number being monitored.
15. A major change in operational risk register has been the inclusion of 14 new risks associated with the Foreshore Trust following the establishment of the Charity Committee. These can be seen in Appendix B.

Highest risks to the Council

16. The highest risks to the Council are those that have an overall rating of high/high in the current Operational risk Register. They are as follows in no particular order:

- Reduction/Loss of Government Grant (budget deficit) in 2013/14.
- Failure to secure new occupier for St Mary in the Castle
- Increase in empty units / major tenant leaves
- Loss of key staff throughout the organisation through Turnover / Redundancy / Retirement / Re-structure
- Sustainability of CCTV Control Room following withdrawal of ESCC financial support.
- Sustainability of off street car park management following termination of on street parking agreement with ESCC.
- Reputational risk of a bad PR story
- Unachievable private sector match funding requirements

17. A number of other potential risks that would have a high impact and medium probability of occurring or a medium impact but high chance of occurring are also categorised as high risks but are not as significant as the list above. These can also be found in the tables in Appendix B.

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	No

Background Information

Appendix A - Detailed process for determining Hastings BC's Operational Risks

Appendix B - Operational Risk Register

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Appendix A

Detailed process for determining Hastings BC's Operational Risks

18. 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.
19. 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.
20. 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.
21. The mitigating actions to the above risks are monitored via the Corporate Risk Management Group periodically.
22. Both Corporate and Operational Risk Registers are 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

23. 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

24. 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.
25. 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.