CITY OF PLYMOUTH

Subject:	Operational Risk Management Update Report
Committee:	Audit Committee
Date:	25th September 2009
Cabinet Member:	Cllr Bowyer
CMT Member:	Director for Corporate Support
Author:	Mike Hocking, Corporate Risk Manager
Contact:	mike.hocking@plymouth.gov.uk Tel : 01752 - 304967
Ref:	CRM/MJH
Part:	I

Executive Summary:

At the meeting of the Audit Committee on 18th December 2008, I reported that Services were engaged in a revision to their Operational Risk Registers in order to identify and align risks with their Business Plans in accordance with new guidelines on operational risk management introduced as part of the 2008/9 Business Planning guidance document "Striving for Excellence".

This revised approach, together with a supporting guide for managers, "Risk Management and Business Planning", was endorsed and approved by this Committee on 25th January 2008.

This report now outlines the progress being made across Services in delivering Operational Risk Registers based on the new approach.

The total number of operational risks now reported across all services is 181, comprising 1high (red) risk, 74 medium (amber) risks and 106 low (green) risks.

Commentary on the high risk areas is included in the report together with details of control actions/mitigation in place.

Corporate Plan 2009/12:

Operational Risk Registers are now aligned to Business Plan objectives which are in

CRM/MJH/RM Monitoring Report 20 May 2009

turn linked to the Corporate Plan and Corporate Improvement Priorities. This ensures that appropriate links are identified with individual risks where control action contributes to the delivery of a key corporate objective.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:
None arising specifically from this report but control measures identified in risk registers could have financial or resource implications.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equality Impact Assessment etc.
None arising specifically from this report but community safety and health and safety risks are taken into account in the preparation of risk registers.

Recommendations & Reasons for recommended action:
The Audit Committee is recommended to :
- Note the progress being made with the development of the revised approach to operational risk management.

Alternative options considered and reasons for recommended action:
Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Background papers:
Plymouth City Council Risk Management Strategy and Policy Statement
Operational Risk Registers and associated working papers
"Risk Management and Business Planning" Guidance Note, January 2008
Previous reports on risk management to Audit Committee

Sign off:

Head of Fin	CDR/Ce SF89008	Head of Leg	DS	Head of HR	Head of AM	Head of IT	Head of Strat Proc	
Originating SMT Member : David Shepperd, Head of Legal Services								

CRM/MJH/RM Monitoring Report 20 May 2009

Report of Director for Corporate Support to Audit Committee
25th September 2009

Operational Risk Management Update Report

1.   Introduction

1.1   At the meeting of the Audit Committee on 18 December 2008, I reported that Services were engaged in a revision to their Operational Risk Registers in order to identify and align risks with their Business Plans in accordance with new guidelines on operational risk management introduced as part of the 2008/9 Business Planning guidance document "Striving for Excellence".

1.2   This revised approach, together with a supporting guide for managers, "Risk Management and Business Planning", was endorsed and approved by this Committee on 25th January 2008.

1.3   This report now outlines the progress being made across Services in delivering revised Operational Risk Registers.

1.4   The total number of operational risks now being reported across all services is 181, comprising 1high (red) risk, 74 medium (amber) risks and 106 low (green) risks.

1.5   The report includes commentary on the high risk areas identified together with details of control actions/mitigation.

2.   Background

2.1   Members will be aware that the Council's approach to risk management is judged annually as part of its Comprehensive Performance Assessment (CPA).

2.2   Key Line of Enquiry 4.1 of the Use of Resources assessment ("The Council manages its significant business risks") includes at Level 4:

"The Council can demonstrate that it has embedded risk management in its business processes, including strategic planning and policy making and review…"

2.3   As this KLOE is set to become a mandatory Level 3 requirement (down from 4) in the 2009/10 Use of Resources assessment, it is important that operational risks in departmental Business Plans are identified and linked to key Service objectives if the Council is to retain its current score.

2.4 The good progress made towards this objective outlined in this report should provide Members with assurance that operational risks are now being identified effectively, mitigation actions put in place and Operational Risk Registers monitored routinely alongside the delivery of Business Plan objectives.

3. **Operational Risk Registers and Analysis of Risks Identified**

3.1 Departmental Risk Champions have made good progress embedding the risk management process to enable service level Operational Risk Registers to be brought in line with the new guidance "Risk Management and Business Planning".

3.2 In drawing up their Business Plans, Heads of Service are now being advised to identify risks that may prevent them from delivering on their key service objectives and, by monitoring these risks on a regular basis at DMT meetings, will be tracking the effectiveness of mitigation controls.

3.3 Risks are also being linked where appropriate with the 14 Corporate Improvement Priorities and in this way monitoring of operational business risks will be directly contributing to the delivery of corporate objectives.

3.4 Risks will need to be reviewed in those areas that are affected by the Management re-structure.

3.5 All Services have therefore now either completed new Operational Risk Registers or where affected by the Management re-structure, are reporting work in progress in line with development of their Business Plans.

3.6 An update across directorates is provided below:

- **Children's Services**
  The Business Plan for Children's Services is the "Children's and Young People's Trust Plan" (CYP Trust). The Operational Risk Register has been drawn up which identifies significant risks to the delivery of the 10 priorities under the "Every Child Matters" outcomes.
  Risks are to be reviewed quarterly by DMT with a yearly review due in August to ensure the Register continues to identify relevant risks to the delivery of the CYP Trust Plan objectives.

- **Development**
  DMT has reviewed all risks including those relating to the Corporate Improvement Priorities. The review is continuing in line with the new Management restructure.

- **Community Services**
  Key operational risks are integrated into the directorate's Business Plan Monitoring Framework and risks are linked where appropriate to the

Corporate Improvement Priorities and are reviewed in each Service area as a standard six monthly agenda item on SMT meetings which the Department Risk Champion attends to ensure the process is embedded.

- **Chief Executive**
  Whilst Business Plans have been drawn up for individual Services, existing operational risks have not been fully aligned with key service objectives. Further work is necessary to fully embed the Risk Management process in the Department once the Management re-structure has been finalised.

- **Corporate Resources**
  Operational Risk Registers for Revenues and Benefits and Legal Services, have been reviewed and refreshed in line with 2008/09 Business Plans, threats to the delivery of key service objectives have been identified and links made with the Corporate Improvement Priorities. Risks will be reviewed regularly at DMTs as part of the monitoring of the delivery of Business Plans. The Finance Service has succeeded in updating their register to reflect changes in priorities and risks now link to core business activities rather than service improvement projects which will be monitored via the Finance Management Team. This ensures the Operational Register is focussed on key outcomes.

3.7 The table below shows the total number of risks now identified in operational risk registers across the Council and shows the comparison with the last monitoring period:

Risk Category	No. of Risks – Dec 2008	No. of Risks – June 2009
Red (High)	2	1
Amber (Medium)	95	74
Green (Low)	104	106
Total	**201**	**181**

4. Red Risks

4.1 **Of the two** "red" risks identified in December 08, one has now been reduced to "amber" and information on this and the existing red risk is given below:

Department	Risk	Mitigation

Department	Risk	Mitigation
RED RISK Development – Parks Services	Condition of Hoe Foreshore – further capital investment needed to carry out additional health and safety improvements	Working groups set up including DMT & H & S. Engineers working on three quarters of the H & S issues pending planning permission. Further consultation to be carried out for the Tinside Diving Stage, once complete a report will be submitted to Cabinet Member.

Department	Risk	Mitigation
AMBER RISK Development – Parks Services	Maintenance of playgrounds and parks environment – significant investment needed on parks infrastructure (walls, fences, pathways etc) to bring them up to standard.	Play Strategy completed and funding bids allocated to various play areas and parks. Major Park improvements taking place through HLF/SSCF Funding. Greenspace Strategy is being developed to produce an action plan for the future management of all our Parks and Open Spaces.

4.2 Risk Registers also include mitigation actions/controls for all amber and green risks identified together with a named risk owner in each case in order to aid monitoring which is being built into the business plan monitoring framework in each service.

4.3 More detailed information on individual Services' risk registers can be obtained from departmental risk champions, Heads of Service or the Corporate Risk Manager.

5. Areas for further development

5.1 All risk information is being recorded on the corporate performance management system, ePerform and the risk management reporting module has undergone vast improvement since the December monitoring report.

5.2 An alternative Risk Management Software module was demonstrated to the Operational Risk Management Group on 12th March 2009 however with the reporting improvements in ePerform the group decided to continue to progress the current system.

5.3   Two refresher training sessions were carried out by the Performance Information Officer to Risk Champions to ensure that all the relevant information is recorded in the system properly to enable useful reports to be produced.

5.4   Work has begun to revise the current Risk Management Strategy document which requires updating before the end of year.

6.   Conclusion

6.1   The Council's success in dealing with the risks it faces can have a major impact on the achievement of key promises and objectives and ultimately, therefore, on the level of service to the community.

6.2   The new approach to operational risk management now being developed is very much focussed on improving the ability of Services to manage those risks that may prevent them from delivery of their Business Plans – this in turn should in time impact positively on outcomes for citizens and, if fully implemented as a routine business practice, will go a long way towards meeting the risk management requirements of the new inspection framework for Comprehensive Area Assessment.

6.3   Whilst good progress towards this goal can be demonstrated by the evidence gathered for this report, it should be recognised that the new approach to operational risk management does require a significant cultural shift in the way that risk is viewed and managed at an operational level.

6.4   Further work is therefore required in some Services to fully embed a risk management culture within core business processes.

6.5   One of the roles of the Audit Committee is to seek and receive assurances that the Council has an effective internal control framework in place which includes arrangements for the management of risk at both strategic and operational level.

6.6   This update report confirms that operational risks are now being identified across the majority of Services with much clearer links to Business Plan objectives.

6.7   The Operational Risk Management Group is continuing to work with departmental Risk Champions to maintain the good progress to date and to further develop more consistent application of risk management considerations in core business processes.

6.8   A further progress report will be brought to Audit Committee in December 2009.

7.   Recommendation

7.1   Members of the Audit Committee are invited to note the progress made with the development of the new approach to operational risk management.