

## CITY OF PLYMOUTH

**Subject:** Operational Risk Management Update Report

**Committee:** Audit Committee

**Date:** 11<sup>th</sup> December 2009

**Cabinet Member:** Cllr Bowyer

**CMT Member:** Director of Corporate Support

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**Ref:** CRM/MJH

**Part:** I

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### **Executive Summary:**

At the meeting of the Audit Committee on 18<sup>th</sup> 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 25<sup>th</sup> January 2008.

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

The total number of operational risks now reported across all services is 127, comprising 2 high (red) risk, 75 medium (amber) risks and 50 low (green) risks.

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

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### **Corporate Plan 2009/12:**

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

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**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.

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**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.

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**Recommendations & Reasons for recommended action:**

The Audit Committee is recommended to:

- Note the current position with regard to operational risk management.
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**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.

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**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

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**Sign off:**

Head of Fin	SW	Head of Leg	DVS 1076	Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member : David Shepperd, Head of Legal Services											

**Report of Director of Corporate Support to Audit Committee  
11<sup>th</sup> December 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 25<sup>th</sup> January 2008.
- 1.3 This report now outlines the continuing progress being made across Services in delivering Operational Risk Registers.
- 1.4 The total number of operational risks now being reported across all services is 127, comprising 2 high (red) risks 75 medium (amber) risks and 50 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 The Council’s approach to risk management is judged annually through the Use of Resources assessment as part of its Comprehensive Area Assessment (CAA).
- 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 will be a mandatory Level 3 requirement (down from 4) in future Use of Resources assessments, 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 asked to identify risks that may prevent them from delivering on their key service objectives and, by monitoring these risks on a regular basis at management team meetings, will be tracking the effectiveness of mitigation controls.

**3.3** As the risk identification process includes quantification through a probability/impact assessment, Services should also be able to identify key risks and prioritise resources more effectively.

**3.4** Risks are also being linked where appropriate with the 13 Corporate Improvement Priorities and in this way monitoring of operational business risks will be directly contributing to the delivery of corporate objectives.

**3.5** Risks will need to be reviewed in those areas that are affected by the senior management re-structure.

**3.6** 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.

**3.7** 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). An Operational Risk Register has been drawn up which identifies significant risks to the delivery of the 10 priorities under the “Every Child Matters” outcomes identified in the Plan. The Register is divided into four main categories of risk – Lifelong Learning / Commissioning, Policy and Performance, Learner and Family Support and Children’s Social Care.

Risks are reviewed quarterly by DMT with a yearly review to ensure the Register continues to identify relevant risks to the delivery of the CYP Trust Plan objectives.

- **Development**

Following the recent restructure within the department a review is now taking place of the new performance reporting mechanism to DMT. Members of DMT have risks “bookmarked” in the performance management system – ePerform so that they can review risks at any time. DMT has reviewed all risks including those relating to the Corporate Improvement Priorities. The Department are beginning to look at ways of working across services where risks are identified as having a cross-cutting role.

- **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. The recent restructure and transfer of Housing Stock to Plymouth Community Homes has resulted in a reduction in the number of risks recorded.

- **Assistant 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 being undertaken to fully embed the Risk Management process in the Department following changes to functional responsibilities resulting from the senior management restructure.

- **Corporate Support**

Operational Risk Registers for Revenues and Benefits and Legal Services, have been reviewed and refreshed in line with 2009/10 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 register links risks to core business activities and key priorities for the Finance Service. The Risk Champion meets individually with risk owners to review core business risks and their mitigating actions, review the relevancy of previous risks and inform of any emerging risks. All risks are then reviewed quarterly at Finance Management Team (FMT). Human Resources and ICT maintain and monitor operational risk registers but further work is ongoing to fully align risks with business plans.

**3.8** 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:

<b>Risk Category</b>	<b>No. of Risks – June 2009</b>	<b>No. of Risks – Dec 2009</b>
Red (High)	1	2
Amber (Medium)	74	75
Green (Low)	106	50
<b>Total</b>	<b>181</b>	<b>127</b>

3.9 The reduction in the total number of risks is primarily due to the transfer of the Housing Stock to Plymouth Community Homes.

#### 4. Red Risks

4.1 The “red” risk identified in June 09 has now been reduced to “amber” and information on this and the 2 new red risks is given below:

Department	Potential Risk	Mitigation
<b>AMBER RISK (formerly Red)</b>  Community Services – Parks	Condition of Hoe Foreshore – further capital investment needed to carry out additional health and safety improvements.	Scrutiny Panel appointed. Updated Risk Assessment and action plan has been drawn up with the H & S team and £406,000 of work implemented to carry out Health & Safety improvements. Tinside Diving Stage to be demolished.

Department	Potential Risk	Mitigation
<b>NEW RED RISK</b>  Community Services – Safer Communities	Reduction/withdrawal of grant funding for Community Safety commissioning.	Investigating other sources of funding.
<b>NEW RED RISK</b>  Children’s Services	Inability of Carefirst to meet business requirements in terms of changes to service provision.	Project plan initiated which will scope the full impact of Carefirst. Detailed project risk register in place.

#### 5. Risk Register Information

5.1 Risk Registers include mitigation actions/controls for all 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.

5.2 Risk information is being recorded on the corporate performance management system, ePerform, using the risk management reporting module and the quality of the data has improved over the past 12 months.

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

## **6. Update of Risk Management Strategy**

- 6.1** Work is underway to revise the current Risk Management Strategy to ensure that it continues to reflect current structures and processes.
- 6.2** A revised draft has been discussed and agreed by the Operational Risk Management Group and is now being consulted on with key stakeholders prior to presentation to the next meeting of this Committee.

## **7. Directorate Presentations on Management of Operational Risk**

- 7.1** Following a proposal which was discussed and agreed at Audit Committee on 25<sup>th</sup> September 2009, directorate representatives will be invited to attend this Committee on a rotational basis to present on how risk management is being embedded within their Department.
- 7.2** The Department for Community Services will be presenting their approach at today's meeting.

## **8. Risks and the Budget & Performance Report**

- 8.1** Department Risk Champions have been asked to provide a completed register template on emerging red risks within their department to the Corporate Risk Manager as soon as information is available so that the detail can be included in the bi-monthly Budget & Performance report, rather than wait until the 6 monthly formal monitoring.
- 8.2** This is to ensure that any budgetary implications can be identified at an early stage.

## **9. Conclusion**

- 9.1** 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.
- 9.2** 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.
- 9.3** 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.

**9.4** This update report confirms that operational risks are now being identified across Services with much clearer links to Business Plan objectives.

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

**9.6** A further progress report will be brought to Audit Committee in June 2010.

**10. Recommendation**

**10.1** Members of the Audit Committee are invited to note the current position with regard to operational risk management.