CITY OF PLYMOUTH

Subject: Operational Risk Management Update Report

Committee: Audit Committee

Date: 23 July 2010 (deferred from 28 June 2010)

Cabinet Member: Cllr Bowyer

CMT Member: Director of Corporate Support

Author: Mike Hocking, Head of Corporate Risk & Insurance

Contact: mike.hocking@plymouth.gov.uk
Tel : 01752 - 304967

Ref: CRM/MJH

Part: I

___

Executive Summary:

At the meeting of the Audit Committee on 11th December 2009, 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 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 continuing progress being made across Services in delivering Operational Risk Registers based on this approach.

The total number of operational risks now reported is 115, comprising 1 high (red) risk, 68 medium (amber) risks and 46 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 2010/13:
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.

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 and endorse the current position with regard 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	SW	Head of Leg	DS	Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member : Assistant Director, Democracy and Governance											

Report of Director of Corporate Support to Audit Committee
28ᵗʰ June 2010

Operational Risk Management Update Report

1. Introduction

1.1 At the meeting of the Audit Committee on 11 December 2009, 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 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 continuing progress being made across Services in delivering Operational Risk Registers.

1.4 Three departments have been unable to report their risks in time for this monitoring deadline. Finance and Asset Management are currently reviewing their risk register following the amalgamation of the departments to Finance, Assets and Efficiencies and Development are also undergoing a complete risk review in line with new business plans which are in the process of being written.

1.5 Therefore the total number of operational risks now being reported has reduced from 127 to 115, comprising 1 high (red) risk 68 medium (amber) risks and 46 low (green) risks.

1.6 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 has been 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 Although the new Coalition Government is now abandoning the CAA inspection framework, the performance drivers within the Use of Resources assessment remain a valid focus for the Council to continue on its improvement journey and, in particular, for the development of an effective risk management strategy.

2.4 We will therefore continue to work towards fully embedding risk management in the Council's core business processes in line with the existing UoR Action Plan.

2.5 The good progress made towards achievement of this 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 continue to make good progress embedding the risk management process to enable service level Operational Risk Registers to be brought in line with the "Risk Management and Business Planning" guidance.

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 14 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 departmental re-structures.

3.6 All Services have therefore now either completed Operational Risk Registers or, where affected by Management /Department re-structures, 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.

There is a high level of senior management commitment to the monitoring and management of operational risks within the Department. DMT receives detailed updates on a quarterly basis.

There has been a reduction in the number of amber risks from 13 to 8 demonstrating the positive developments within the service since last December's monitoring.

- **Development**

  Development Management Team has taken the decision to review the existing register to ensure that it is fully integrated with new business plans which are in the process of being written.

- **Community Services**

  The service was re-aligned last year and Environmental Services came under the umbrella of Community Services whilst 17 risks transferred to Plymouth Community Homes. The Risk Champion continues to attend regular SMT meetings to ensure the process is embedded into the directorate's Business Plan Monitoring Framework and risks linked where appropriate to the Corporate Improvement Priorities.

- **Assistant Chief Executive**

  Whilst Business Plans have been drawn up for individual Services, existing operational risks have still not been fully aligned with key service objectives. Further work therefore needs to be undertaken to embed the Risk Management process in the Department following changes to functional responsibilities resulting from the senior management restructure.

- **Corporate Support**

  The Operational Risk Register for Legal Services has been reviewed and refreshed in line with Corporate Improvement Priorities. Finance and Asset Management have now integrated to become Finance, Assets and Efficiencies and a re-structure is taking place after which the overarching business plan will be written and risks reviewed.

  ICT maintain and monitor a risk register but will also be reviewing its risks following an imminent re-structure.

  The objective of Revenue's 2010/11 business plan is to improve customer satisfaction by delivering a customer focussed service and improving customer experience and their risks are linked to this. Monitoring of both business plan actions and risks is carried out carried out at monthly management meetings

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:

Risk Category	No. of Risks – Dec 2009	No. of Risks – Jun 2010
Red (High)	2	1
Amber (Medium)	75	68
Green (Low)	50	46
Total	**127**	**115**

4.   Red Risks

4.1   One "red" risk identified in Dec 09 has now been deleted and information on this and the existing red risk is given below:

Department	Potential Risk	Mitigation
DELETED RISK (FORMERLY RED) Community Services – Safer Communities	Reduction/withdrawal of grant funding for Community Safety commissioning.	Funding in place – no longer a risk.

Department	Potential Risk	Mitigation
RED RISK Children and Young People	Inability of Carefirst to meet business requirements in terms of changes to service provision.	This risk is also included on the Strategic Register. The Council has begun a 3 year programme of improvement to address both the system and supporting business processes. A CareFirst Project Board has been established chaired by the Asst Chief Executive. As the risk has significant financial implications it remains red.

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 Risks scored 5 and under are considered to be managed to an acceptable level and have been removed from registers in line with the revised Risk Management Strategy.

5.3 Risk information is being recorded on the corporate performance management system, ePerform, using the risk management reporting module.

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

6. Update of Risk Management Strategy

6.1 The revised strategy was endorsed by this Committee on 26th March 2010 and will now be circulated to all Members and senior officers and will also be published on the intranet.

7. Directorate Presentations on Management of Operational Risk

7.1 Following a proposal which was discussed and agreed at Audit Committee on 25th September 2009, directorate representatives will be invited to attend this Committee on a rotational basis to give a presentation on how risk management is being delivered within their Department.

7.2 The Department for Development will be presenting their approach at the next meeting of this Committee.

8. Risks and the Budget & Performance Report

8.1 Department Risk Champions now provide a completed register template on emerging red risks within their department to the Head of Corporate Risk and Insurance as soon as information is available so that the detail can be included in the quarterly 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. Risks and Corporate Business Processes

9.1 One of the aims of the risk management strategy is to embed risk management considerations into core business processes such as strategic and financial planning, policy making, performance management, project/partnerships management and business planning.

9.2 Good progress has been made in all these areas as follows:

- **Strategic and Financial Planning** – delivery of key corporate objectives in the Corporate Plan are supported by risk logs for each of the 14 Corporate Improvement Priorities and budgets are allocated according to risk –assessed priorities.
- **Policy Making** – report authors preparing papers for Member decisions are required to include risk considerations in the front summary sheet for all Committee reports.
- **Performance Management** – the Performance Management system, ePerform, includes a risk management module where all strategic and operational risks are recorded and linked to strategic and service objectives. In addition, to support the development of a risk aware culture, risk management is now one of the five core management competencies in the Competency Framework and managers are therefore now routinely assessed on their performance as part of their annual appraisal.
- **Project/Partnerships Management** – all major projects require a mandatory risk assessment at the project initiation stage and thereafter have their own risk registers which are routinely monitored by Project and Programme Boards. Significant partnerships also have their own risk registers and in addition a Partnerships Code of Practice has been drafted for consultation prior to adoption as a governance framework to support future partnership working.
- **Business Planning** – Operational Risks are now being routinely incorporated into departmental business plans as outlined in Section 3 of this report.

10. Conclusion

10.1 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.

10.2 The approach to operational risk management now being adopted 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 effective corporate governance in line with external inspection and stakeholder expectations.

10.3 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.

10.4 This update report confirms that operational risks are now being identified across Services with much clearer links to Business Plan objectives and also confirms the good process in embedding risk management in other core business processes.

10.5 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 these processes.

10.6 The next progress report will be brought to Audit Committee in January 2011.

11. Recommendation

11.1 Members of the Audit Committee are invited to note and endorse the current position with regard to operational risk management.