

CITY OF PLYMOUTH

Subject: Operational Risk Management Update Report

Committee: Audit Committee

Date: 21st January 2011

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 has increased from 115 to 118, comprising 4 high (red) risks, 63 medium (amber) risks and 51 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 2011/2014 as amended by the four new priorities for the City and Council:

Operational Risk Registers are 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 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
21st January 2011**

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 The total number of operational risks now being reported has increased from 115 to 118, comprising 4 high (red) risks 63 medium (amber) risks and 51 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 Although the new Coalition Government has now abandoned 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.
- 2.2 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.
- 2.3 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 in embedding the corporate 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 being 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 their use of scarce resources more effectively.
- 3.4** 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.
- 3.5** 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 identifies significant risks to the delivery of the 10 priorities under the “EveryChild Matters” outcomes identified in the CYP.

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.

The Risk Champion reports a high level of senior management commitment to the monitoring and management of operational risks within the Department with DMT receiving detailed updates on a quarterly basis.

- **Development**

Following the last monitoring report in June 2010, Development Management Team has reviewed its risk register to ensure that it is fully integrated with new business plans within each service for the Department. As a consequence of this review the number of risks has reduced from 23 to 10.

- **Community Services**

The Risk Champion continues to attend 6 monthly SMT meetings and meets individual risk owners to review existing risks and to raise awareness as a

point of discussion for any new or emerging risks. This helps to ensure the process is embedded into the directorate's Business Plan Monitoring Framework and promotes the added value that risk management brings to the department and the organisation as a whole.

- **Assistant Chief Executive**

Following changes to functional responsibilities resulting from the senior management restructure a risk management workshop is due to take place in January to "brainstorm" key operational risks which could affect the department achieving its objectives. The output from this workshop will form the basis of a revised Risk Register which will be used to embed the Risk Management process within the Department and also support the delivery of the Business Plan.

- **Corporate Support**

Finance, Assets and Efficiencies is a large service area that sees the amalgamation of the old Asset management and Finance services with a new Value for Money team that includes Revenues and Benefits, Sustainability, Creditors and Debtors, Cashiers and Strategic Procurement. It is a diverse service area that contains pockets of well established risk management activities.

Capital and Assets link risks to the key outcomes (KO's) identified in the Asset Management Plan and Capital Strategy. Managers are encouraged to report progress on the risks in their area as part of their service action plan update and identify new risks as they arise.

The Finance Service went through a major restructure in 2010 which has impacted on the management of the existing risk register. The new Head of Finance is in the process of reviewing the existing register to standardise the approach to risk management with other areas in Finance, Assets & Efficiencies and link all risks to the Finance service business plan action plan.

The objective of **Revenues & Benefits** 2010/11 business plan is to improve customer satisfaction by delivering a customer focussed service and improving customer experience. The Business Plan is developed annually by the DMT with Team Managers' input and risks identified at this stage. Risks are then monitored and actions planned at monthly management meetings. Two new risks have been identified relating to the department restructure and accommodation moves.

The **ICT** Risk Champion liaises with DMT and the Information Manager to get input on their operational risks. Information Governance and misuse of ICT hardware/information have been highlighted recently due to the current "Wikileaks" situation. This has been flagged to all ICT managers for discussion at the next risk review meeting.

Legal Services risk register has been reviewed and refreshed in line with their service objectives.

HR have reported 14 new risks following a revision and update of their risk register in line with current service objectives.

3.6 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 – Jun 10	No. of Risks – Jan 11	Deleted Risks Jan 11	New Risks Jan 11
Red (High)	1	4	1	3
Amber (Medium)	68	63	8	12
Green (Low)	46	51	13	10
Total	115	118	22	25

4. Red Risks

4.1 The “red” risk identified in June 10 (Carefirst) has been deleted and one former amber risk has been increased to red status. Information on this and the five new red risks is given below:

Department	Potential Risk	Mitigation
FORMER RED RISK (to be archived) Children and Young People	Inability of Carefirst to meet business requirements in terms of changes to service provision.	Recommend removal from operational register. This risk is on the Strategic Register and actions are being determined by the CareFirst Programme Board.

FORMER AMBER RISK (Now Red) Children and Young People	Inaccurate pupil number forecast in school admissions	In-year admissions are now the responsibility of the LA and there is a back log of applications for places in schools due to difficulties in getting accurate information from schools. An IT solution is being developed to provide improved links with the LEA and schools.
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Department	Potential Risk	Mitigation
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NEW RED RISK Finance, Assets & Efficiencies	<p>Failure to maintain trees on the corporate estate.</p> <p>Pockets of land retained by the Council following the stock transfer to Plymouth Community Homes now come under the control of Corporate Property. There is a need to complete a survey and register of trees on this land.</p>	<p>Risk management funding has been awarded to help fund a resource to map the land and identify any trees and any associated risks. Once this work has been completed surveys will be carried out and maintenance will be programmed.</p> <p>Survey results and resource implications will feed into current work on a corporate strategy to address the management of trees.</p>
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NEW RED RISK Finance, Assets & Efficiencies	<p>Failure to comply with the carbon reduction commitment energy efficiency scheme</p>	<p>Also on the Strategic Register. A Carbon Management Plan is being developed to ensure compliance with this scheme and it is imperative the authority meets expected targets to avoid financial penalties.</p>
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Department	Potential Risk	Mitigation
NEW RED RISK Human Resources & Organisational Development	<p>HM Revenue & Customs Compliance (Risk of engagement of workers on incorrect employment basis incurring unforeseen tax and N.I. financial liabilities.)</p>	<p>Process being developed to ensure correct employment status is confirmed prior to engagement.</p>

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 and archived 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 until any successor system is implemented.

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 has since been 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 are invited to attend this Committee on a rotational basis to give a presentation on how risk management is being delivered within their Department.

8. Risk Management Maturity Review by Heath Lambert

The Council appointed new Risk Management and Insurance Advisors, Heath Lambert, on the 1st October 2010 following a tender process. As part of their appointment a review of our risk management arrangements has been undertaken, focusing in particular on the embeddedness of risk management in our key corporate business processes. Judy Jones, Head of Public Sector Risk Consulting at Heath Lambert will report on the results of the review as a separate agenda item today.

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** – Following analysis of the Plymouth Report, the council's priority focus has been reduced from 14 Corporate Improvement Priorities to 4: deliver growth, raise aspirations, reduce inequalities and provide value for communities. Delivery plans are supported by risk logs and resources are allocated according to risk –assessed priorities so there is sustained focus on value for communities and the efficiency agenda.

- **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 Council is looking at replacing the current Performance Management system – ePerform. Until the successor system is in place, risks will continue to be recorded in the risk management module 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 in managing risk as part of their annual appraisal.
- **Project/Partnerships Management** – A broad-based, city-wide review of governance across the whole partnership landscape is proposed for next year in light of the Comprehensive Spending Review and its impact on both the Council and its strategic partners and also in the light of structural reforms around for example the future provision of healthcare services.
Project management arrangements under the control of the Corporate Property team include robust risk management elements.
- **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 Council recognises that it is operating in a climate of unprecedented financial pressure and that it therefore needs to be innovative, resourceful, customer focused and provide greater value for money. The achievement of delivery plan actions to deliver budget savings has been closely monitored by Services during 2010 with regular reporting on a risk rated basis to CMT
- 10.3** 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 and Delivery Plans – this in turn should in time impact positively on outcomes for service users 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 as well as helping to reduce the Council's overall budget deficit and to meet the challenges of the current financial climate.
- 10.4** One of the responsibilities 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.

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

10.6 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.

10.7 The next progress report will be brought to Audit Committee in June 2011.

11. Recommendation

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