

## CITY OF PLYMOUTH

**Subject:** Operational Risk Management Update Report

**Committee:** Audit Committee

**Date:** 27 June 2011

**Cabinet Member:** Councillor Ricketts

**CMT Member:** Director for Corporate Support

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**Ref:** CRM/MJH

**Key Decision:** No

**Part:** 1

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### **Executive Summary:**

At the meeting of the Audit Committee on 21<sup>st</sup> January 2011, 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 corporate guidelines on operational risk management and business planning

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

The total number of operational risks now reported has increased from 118 to 131, comprising 2 high (red) risks, 71 medium (amber) risks and 58 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 2011/2014:**

Operational Risk Registers are being aligned to Business Plan objectives which are in turn linked to the Corporate Plan and our four 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  
Business Plan guidance and template 2011-2014  
Previous reports on risk management to Audit Committee

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**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 for Corporate Support to Audit Committee  
27 June 2011**

**Operational Risk Management Update Report**

**1. Introduction**

- 1.1** At the meeting of the Audit Committee on 21<sup>st</sup> January 2011, 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 corporate guidelines on operational risk management and business planning.
- 1.2** The business plan guidance and template has been revised for 2011-2014 and departments have been engaged in populating their service business plan templates to cover the next 3 year rolling plan.
- 1.3** This report now outlines the continuing progress being made across Services in delivering Operational Risk Registers in line with the Council's shared vision and priorities.
- 1.4** The total number of operational risks now being reported has increased from 118 to 131, comprising 2 high (red) risks 71 medium (amber) risks and 58 low (green) risks.
- 1.5** The increase in risks is mainly due to the addition of 13 new risks from the Assistant Chief Executive's Department following a risk workshop held in March and 8 new risks from Finance, Assets and Efficiencies following their business plan revision.
- 1.6** The report includes commentary on the high risk areas identified together with details of control actions/mitigation.

**2. Background**

- 2.1** Although the CAA inspection framework has been abolished, 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 original 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 business plan guidance and template 2011-2014.

**3.2** In drawing up their Business Plans, Assistant Directors and 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 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 Children's Services risk register is divided into four divisions, Lifelong Learning, Commissioning, Policy and Performance, Learner and Family Support and Children's Social Care in line with the Children and Young People's Trust Plan.

No red risks are currently reported and there has been a decrease in the number of amber risks.

- **Development**

Development's operational risk register is divided into four categories of risk and these are Planning Services, Economic Development, Transport & Highways and Strategic Housing. Whilst there has been a drop in the number of operational risks, the department is reporting the potential for strategic risks to increase around the Growth Agenda for the City.

- **Community Services**

Risks are monitored every six months and the Risk Champion attends senior management meetings to meet individual officers, review their risks and also raise awareness of the risk management process.

There is a new amber risk relating to local nature reserves. As more people are being encouraged to go outside and view wildlife they are experiencing greater use and footfall. The risks are around budget constraints for on-going maintenance, particularly tree work. A Tree Strategy is being developed and tree surveys are being programmed on all LNR path networks.

- **Assistant Chief Executive**

A risk workshop was held on 16<sup>th</sup> March and a revised risk register has now been developed alongside the Business Plan and is awaiting ratification by the senior management team. The register will now be monitored regularly in line with the Business Plan.

- **Corporate Support**

**Finance, Assets and Efficiencies (F,A & E)** has developed an over arching service plan for 2011/12 that captures the key priority actions from Capital & Assets, Finance and Value for Money. To accompany this for 2011/12 there will also be an over arching risk register for F,A & E consisting of the top level risks from each service area but with each service area continuing to have their own risk register covering all their activities.

The **Revenues & Benefits** 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.

The **ICT** business plan is being finalised following recent office moves and risks aligned accordingly.

## Legal Services.

Risks are aligned with the Legal Services Business Plan and are reviewed by the Management Team on a six monthly basis or sooner if a new risk is identified.

## Human Resources and Organisational Development

All risk register monitoring dates are included in the HR & OD forward plan together with risk assessment monitoring dates.

There is one new amber risk in relation to the reduction of sickness absence and productivity. This is linked to strategic risk 36 (Management of Employee Stress) and a specific project is being scoped to look at the associated risks.

- 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:

<b>Risk Category</b>	<b>No. of Risks – Jan 11</b>	<b>No. of Risks – Jun 11</b>	<b>Deleted Risks Jun 11</b>	<b>New Risks Jun 11</b>
Red (High)	4	2	0	1
Amber (Medium)	63	71	9	22
Green (Low)	51	58	6	5
<b>Total</b>	<b>118</b>	<b>131</b>	<b>15</b>	<b>28</b>

## 4. Red Risks

- 4.1** Of the four “red” risks identified in January 2011, one remains red while three have been reduced to amber following improvements to controls. One new red risk has been added since the last report as indicated below:

Department	Potential Risk	Comments / Mitigation
<b>RED RISK</b>  <b>Finance - Capital &amp; Assets</b>	<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>Council owned trees have been identified but condition surveys and an SLA has been agreed with Parks Services to complete the surveys and carry out any necessary remedial works with a target date for completion of Autumn 2011.</p> <p>Following this the management of all Council-owned trees will be centralised as part of the "Corporate Landlord" model currently being developed.</p>

<b>NEW RED RISK</b>  <b>Finance, Assets &amp; Efficiencies</b>	<p>Medium Term Financial Strategy issues</p>	<p>This risk is also included on the Strategic Risk Register. Robust delivery plan structure put in place for 2011/12. Progress is reported within quarterly finance and performance reporting.</p>
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Department	Potential Risk	Comments / Mitigation
<b>FORMER RED RISK (Now amber)</b>  <b>Children &amp; Young People</b>	<p>Inaccurate pupil number forecast in school admissions</p>	<p>The risk has been reduced to amber as mechanisms have been devised to improve the way information is received from schools whenever there is a change in pupil numbers.</p>

<b>FORMER RED RISK (Now amber)</b>  <b>Finance, Assets &amp; Efficiencies</b>	Failure to achieve carbon reduction targets	The carbon management plan is in place and a structure review is underway to assist in delivery.
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<b>FORMER RED RISK (now amber)</b>  <b>Human Resources &amp; Organisational Development</b>	HM Revenue & Customs Compliance (Risk of engagement of workers on incorrect employment basis incurring unforeseen tax and N.I. financial liabilities)	An audit has taken place and controls have been developed to ensure correct employment status is confirmed prior to engagement of staff.
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## 5. Risk Register Information

- 5.1** Operational Risk Registers record mitigation actions and 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 current 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 the Head of Corporate Risk & Insurance, departmental risk champions or Heads of Service.

## 6. Update of Risk Management Strategy

- 6.1** The annual review of the Risk Management Strategy has been undertaken and revised in line with the Council's four new corporate priorities and the shared vision.
- 6.2** The updated version has now been published on the Intranet and can be downloaded from the Document Library

## 7. Information Governance



- 7.1** In September 2010, the Internal Audit Service issued a report which concluded that fundamental weaknesses existed in the Council's corporate information management arrangements. The findings of that report were accepted by the Council's Senior Information Risk Officer and Corporate Information Manager and were discussed at Audit Committee in November 2010.
- 7.2** The report included an Action Plan which is now being progressed. The Corporate Information Manager attended Audit Committee, in March 2011, to provide an update on the positive steps that are being taken to embed information management principles throughout the organisation and other key actions which are being taken to formalise responsibilities and improve staff training and awareness.
- 7.3** The Director for Corporate Support, as the Council's designated Senior Risk Information Officer, has asked all Directors to appoint Information Risk Officers within their service areas to establish what information systems they use and who is responsible for them. These officers are forming a corporate group to act as a conduit for implementation of improved and more consistent information governance across the Council.
- 7.4** To support this objective, and as a first step, the Operational Risk Management Group facilitated an Information Governance training workshop for risk champions on 18<sup>th</sup> March 2011.
- 7.5** The workshop introduced a standard risk template for the inclusion of a common set of information governance risks in all departmental risk registers and the baseline information from this exercise will inform future mitigation actions.
- 7.6** In addition, on 26 May the Assistant Director for ICT hosted a briefing for Members and Officers to raise awareness of cyber threats to our information security.

## **8. Risks and Corporate Business Processes**

- 8.1** A key aim 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.
- 8.2** 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 this 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.

## 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 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 continues to be closely monitored by Services during 2011 with regular reporting on a risk rated basis to the Corporate Management Team.

- 9.3** The approach to operational risk management now being adopted is 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, as the process becomes 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. It should also contribute effectively to reducing the Council’s overall budget deficit and to meeting the challenges of the current financial climate.
- 9.4** 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.
- 9.5** 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 the Council’s other core business processes.
- 9.6** 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 across all operations of the Council.
- 9.7** The next progress report will be brought to Audit Committee in December 2011.

## **10. Recommendation**

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