

CITY OF PLYMOUTH

Subject: Risk Management – Annual 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: I

Executive Summary:

This report summarises the work carried out during 2010/11 to develop the Council's approach to risk management and covers:

- Corporate and Operational Risk Management Groups
 - Risk Registers
 - Performance Management and Business Planning
 - Annual Governance Statement
 - Risk Management and the Competency Framework
 - Partnerships Governance
 - Intranet Risk Management Guidance
 - Information Governance
 - ALARM Benchmarking
 - Risk Management Maturity Review by Heath Lambert
 - Focus for 2011/2012
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Corporate Plan 2011/2014:

Maintaining sound systems of internal control and risk management enables the Council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land :**

None arising specifically from this report.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc:

The Risk Management Strategy specifically supports the Council’s overall governance arrangements.

Recommendations & Reasons for recommended action:

The Audit Committee is recommended to note the Annual Report.

Alternative options considered and reasons for recommended action:

Not applicable.

Background papers:

Strategic and Operational Risk Registers
Previous Audit Committee reports

Sign off:

Head of Fin	S.W.	Head of Leg	D.S.	Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member: Asst Director for Democracy and Governance											

**Report of Director for Corporate Support to Audit Committee
27 June 2011**

Risk Management - Annual Report

1. Introduction

1.1 This report summarises the work carried out during 2010/11 to further develop the Council's approach to risk management.

1.2 The review covers :

- **Corporate and Operational Risk Management Groups**
- **Risk Registers**
- **Performance Management and Business Planning**
- **Annual Governance Statement**
- **Risk Management and the Competency Framework**
- **Partnerships Governance**
- **Intranet Risk Management Guidance**
- **Information Governance**
- **ALARM Benchmarking**
- **Risk Management Maturity Review by Heath Lambert**
- **Focus for 2011/2012**

2. Corporate and Operational Risk Management Groups

2.1 Members will be aware that the risk management strategy involves a two tier approach.

2.2 The Corporate Management Team (CMT) acts as the Corporate Risk Management Group (CRMG) with responsibility for the Strategic Risk Register and the overall risk management strategy.

2.3 CRMG has met four times in the past twelve months to receive and approve monitoring reports and to consider strategic risk issues prior to Cabinet Planning giving approval for reports to be presented to Audit Committee.

2.4 Directors have engaged fully in the risk management process in taking ownership of the Strategic Risk Register both formally at CRMG meetings and throughout the year in proposing amendments to the Register in line with changing circumstances and priorities for the Council.

2.5 As a result the Strategic Register has now been through 18 revisions since it was first drawn up eight years ago which is good evidence of the dynamic nature of the risk management process and its embeddedness at a strategic level.

2.6 Portfolio-holders at meetings of Cabinet Planning have also been engaged in considering and challenging risk management monitoring reports.

2.7 Matters of day to day operational risk management are the responsibility of the Operational Risk Management Group (ORMG) which is chaired by the Head of Corporate Risk & Insurance and comprises Risk Champions from each Directorate and/or Service.

- 2.8 The ORMG has met every 6 – 8 weeks to review and monitor Operational Risk Registers, to promote and develop a consistent approach to risk management and also to consider bids from departments for financial assistance from the Risk Management Fund towards risk reduction initiatives.
- 2.9 The Risk Management Fund is currently £50,000 per annum and is used as a pump-priming fund to enable departments to implement risk reduction initiatives in areas such as physical security improvements (fire/intruder alarms, CCTV etc), training, health and safety improvements etc.
- 2.10 A list of those projects supported by the Fund in 2010/11 is attached for information at Appendix A.

3. Risk Registers

- 3.1 Both Strategic and Operational Risk Registers are the subject of formal monitoring on a six-monthly basis with the results discussed and agreed firstly at CMT and secondly at Cabinet Planning prior to a monitoring report being presented to this Committee.
- 3.2 Monitoring reports are now routinely considered at each meeting of this Committee with Strategic and Operational risk updates provided to alternate meetings. Reports outline the direction of travel for all risks identified in risk registers and provide commentary on the effectiveness of the risk management processes in place.

4. Performance Management and Business Planning

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 This work is key to demonstrating further embeddedness of risk management considerations into the Council's corporate business processes.

5. Annual Governance Statement

- 5.1 The system of internal control in the Council is based on an ongoing process to identify and prioritise the risks or threats to the achievement of policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact should they occur.
- 5.2 In accordance with the CIPFA/SOLACE framework document *Good Governance in Local Government*, the Council has adopted a local Code of Corporate Governance which was approved by Audit Committee on 31st March 2008.
- 5.3 The framework recommends that the Council carries out annually a self-assessment of how it complies with the six core principles of good governance set out in the Code.

5.4 The AGS Working Group has carried out this annual review and is satisfied that the governance framework described in the Governance Statement satisfies the compliance requirements of the CIPFA/SOLACE model Code.

5.5 The monitoring processes now in place to manage risk through the Council's approach to risk management is proving to be an effective tool in contributing to the delivery of this statutory responsibility, with the Strategic Risk Register in particular largely informing the content of the AGS.

6. Risk Management and the Competency Framework

6.1 In 2009 the Council adopted a new Competency Framework covering all employees as part of its commitment to ensure that there is a clear set of standards that underpins the performance, behaviours, work, knowledge and skills of its staff to help the Council deliver its vision and the key priorities in the Corporate Plan.

6.2 Risk Management performance is one of five core management competencies in the Framework so that senior managers are now assessed on their contribution towards the delivery of the Corporate Risk Management Strategy as part of their annual appraisals.

7. Partnerships Governance

7.1 The Council is increasingly engaging in partnership arrangements to deliver its corporate objectives and this brings both risks and opportunities – it is therefore important that effective governance arrangements are in place to monitor the effectiveness of delivery mechanisms.

7.2 External inspections have confirmed that the Council's significant partnerships have effective risk management arrangements in place with risk registers monitored routinely by Programme and Project Boards.

7.3 However, there is a need for a more consistent approach to governance arrangements across all partnership working, more particularly in the light of the current economic climate and the threat of funding cuts to both the Council and potentially its key partners as well.

7.4 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.

8. Intranet Risk Management Guidance

8.1 The Corporate Risk Management Team continues to develop guidance material which is available to managers and staff within a comprehensive risk management page on the Staff Room intranet site.

8.2 Current guidance covers the following frequently asked questions:

- What is a risk?
- What is risk management?
- Why is risk management important?
- How do I report a risk?
- What is the process for monitoring risks?
- Who is my risk champion?
- How do I apply for risk management funding?

- How does risk management fit with the Competency Framework?
- How do I arrange risk management training?

8.3 Information is also provided on risk management in business planning, ePerform and the Council's Code of Corporate Governance.

8.4 The latest version of the Strategic Risk Register, once approved by this Committee, is also published on the site.

9. Information Governance

9.1 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.

9.2 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.

9.3 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.

9.4 To support this objective, and as a first step, the Operational Risk Management Group facilitated an Information Governance training workshop for risk champions on 18th March 2011.

9.5 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.

9.6 In addition, on 26th May the Assistant Director for ICT hosted a briefing for Members and Officers to raise awareness of cyber threats to our information security.

10. Benchmarking

10.1 The Council joined a new national risk management benchmarking club in April 2010 which was a collaboration between ALARM and CIPFA.

10.2 In total 103 local authorities signed up and completed a survey questionnaire based on Alarm's National Performance Model for Risk Management in Public Services and designed to enable participants to test their organisation's performance against the major risk management standards, expectations of inspection bodies and criteria that inform the risk management element of the Annual Governance Statement.

10.3 The questionnaire comprised of 117 questions in total split into 7 sections which are listed in the results table below. The answers were then weighted to reflect their relative impact on performance and collated into a final score for each section based on the maturity level guide below:-

Section Heading “Enablers”	Score %	Level
Leadership and management	87	Driving
Strategy and Policy	75	Embedded & Integrated
People	83	Driving
Partnership, shared risks and resources	65	Embedded & Integrated
Processes and tools	85	Driving
Section Heading “Results”	Score %	Level
Risk handling and assurance	78	Driving
Outcomes and delivery	68	Embedded & Integrated

Maturity Level	Enablers	Results
Engaging	<10%	<10%
Happening	10 – 30%	10 – 25%
Working	30 – 55%	25 – 50%
Embedded & Integrated	55 – 80%	50 – 75%
Driving	80%+	75%+

- 10.4** The survey results were reported to this Committee in March 2011. The Council achieved an above average score in each of the Sections of the questionnaire when compared to the other 103 club members and this confirms that the Council’s Risk Management Framework is embedded and integrated in the Council’s core processes.
- 10.5** Contact has been made with one of the highest performing authorities in the Council’s peer group and officers will be comparing risk management approaches to ensure that current processes reflect best practice, for example around partnerships governance where the Council scored lower than in other areas.
- 10.6** The Council is also a member of the South West Unitaries Risk Management Group, a regional body set up specifically to promote benchmarking and exchange of good practice in risk management for single tier authorities.
- 11. Risk Management Maturity Review by Heath Lambert**
- 11.1** The Council appointed new Risk Management and Insurance Advisors, Heath Lambert, on the 1 October 2010 following a tender process. As part of their appointment, a review of our risk management arrangements was undertaken, focusing in particular on the level of embeddedness of risk management in our key corporate business processes.
- 11.2** The review reported a number of examples of “very good, even exemplary”, risk management practice. These included:
- Clear and effective sponsorship of risk management by senior management and elected members (as evidenced by the proactive roles of the officer and member risk management champions and the Audit Committee)
 - A well defined and current risk management strategy supported by clearly defined roles and responsibilities
 - The provision of supplementary guidance to key stakeholders including elected members, risk champions and those involved in partnerships
 - Engagement with professional bodies such as ALARM (the Public Risk Management Association) and also with national initiatives such as the ALARM/CIPFA National Benchmarking Club 2010
 - Ongoing efforts to integrate risk management with other key systems such as: business planning; procurement; the core competencies framework; the governance and management of partnerships; and the Project Management System

- Regular and well attended meetings of the Operational Risk Management Group and the active participation of the Risk Champions' network
- Effective use of a Risk Management Fund, accessed by a well-developed bid process
- Regular monitoring and reporting of risk management performance which clearly establishes the value added by risk management to corporate performance
- Positive results arising from historical inspections under the Comprehensive Area Assessment (achieving a score of 3 at the final inspection, reflecting continuing improvement)
- Ongoing development of communication about risk management, including use of the Council's intranet

12. Focus for 2011/2012

- 12.1** Whilst the Council can demonstrate that management of risk is now a key consideration in its overall corporate governance arrangements, further work will be ongoing to ensure that risk management considerations continue to be embedded into core business processes.
- 12.2** The focus for 2011/12 will therefore be to ensure that management of risk is further developed as an explicit feature in the areas of:
- Strategic planning
 - Financial planning
 - Policy making and review
 - Performance Management
 - Partnerships
 - Information Governance

13. Conclusion

- 13.1** There is now good evidence of the development of a risk management culture within the Council with proactive engagement of Members, Directors and Heads of Service, and senior operational managers – this culture is now supported by a mandatory assessment of risk management performance as part of the Competency Framework annual appraisal process.
- 13.2** The Council now has well-developed and proven risk management processes in place which have been integrated into business planning, budget, project and performance management,
- 13.3** This Annual Report should therefore give Audit Committee members assurance as to the adequacy and effectiveness of the internal control arrangements and, in particular, the contribution of risk management to the overall governance framework.
- 13.4** Further work is planned in 2011/12 to ensure that these arrangements continue to be developed and enhanced.

14. Recommendation

- 14.1** The Audit Committee is recommended to note the Annual Report.

RISK MANAGEMENT BIDS APPROVED 2010/11**1. Community Services (Libraries) – Fire door in staff room at St.Budeaux Library (10/01)**

Exit door in staff room replaced with a fire door to allow safe exit for staff in the event of a fire.

£307.50

2. Corporate Property – Fencing at Honicknowle Lane footpath (10/02)

To provide a barrier between the steep slope of the footpath and the road, preventing the risk of injury to children and other users of the path.

£7,073.31

3. ICT – Electrical safety training for ICT engineers (10/03)

To ensure safer working conditions for engineers who have to work on equipment that cannot be switched off whilst being maintained. No in-house course available.

£2,340.00

4. Community Services – Security improvements for Schools Library Service (10/04)

Upgrade of intruder alarm and installation of radio panic alarm, both connected to Police if activated.

£479.78

5. Culture, Sport & Leisure (Plymouth West Devon Records Office) – Safer ladder for accessing records from high storage area (10/06)

Taller ladder, including a platform to allow safer access by staff to records held on top shelves.

£669.75

6. Culture, Sport & Leisure (Plymouth West Devon Records Office) – Installation of two smoke detectors and alarm ringer on mezzanine level (10/07)

There were previously no smoke detectors in this area which is frequently accessed by both staff and volunteers.

£501.00

7. Community Services – Automatic door entry system with exit alarm at Colwill Lodge (10/08)

To provide easier access to the building for people with learning and physical disabilities and prevent injuries to staff and visitors assisting them.

£3,007.34

8. Corporate Property (Facility Management) – New access control system at Prince Rock Depot (10/09)

A system providing direct access control at the vehicular access gate for staff and regular visitors, enabling security staff to concentrate on new or casual visitors and ensure they are properly signed in with site safety advice and direction to their destination.

£7,500.00

9. Corporate Property – Cost of desktop exercise to identify trees in land parcels owned by Corporate Property (10/10)

To enable a monitoring regime to be established in respect of trees identified and reduce the risk of damage or injury to the public.

£7,500.00

10. Development & Regeneration (Social Inclusion Unit) – Safety measures at Bay View Gypsy & Traveller Site (10/11)

Installation of traffic calming measures and gas bottle storage cages.

£1,935.00

11. Human Resources & Organisation Development – Iron keys to store information for Emergency Response & Business Continuity Plans (10/13)

To ensure that essential staffing information is accessible during an emergency situation.

£168.75

12. Corporate Support (Democracy & Governance) – Provision of Information Governance workshop and risk identification toolkit (10/15)

Training and guidance for Risk Champions to assist the Council in the process of identifying risks associated with Information Governance and preventing penalties imposed by the Information Commissioner's Office.

£2,500.00

13. Corporate Support (Health & Safety) – Cost of calibration of vibration equipment (10/17)

To enable the Council to continue to monitor equipment and reduce the risk of injury to employees.

£345.00

14. ICT – Feasibility study to evaluate a new PVP service (10/14)

Feasibility study for a computerised PVP – (Potentially Violent Person) register.

£5552.00

Total (14) £39,879.43