CITY OF PLYMOUTH

Subject:	Operational Risk Management Update Report
Committee:	Audit Committee
Date:	16th December 2011
Cabinet Member:	Cllr Ricketts
CMT Member:	Director for Corporate Support
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Part:	I

Executive Summary:

At the meeting of the Audit Committee on 21st 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 decreased from 131 to 113, comprising 1 high (red) risk, 66 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.

The report also includes information on how risk management is being embedded in the Council's core business processes.

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 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.

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
Business Plan guidance and template 2011-2014
Previous reports on risk management to Audit Committee

Sign off:

Head of Fin	DJN1112.021	Head of Leg	DS/RSN 13446	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
16th December 2011

Operational Risk Management Update Report

1.   Introduction

1.1   At the meeting of the Audit Committee on 21st 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 corporate priorities.

1.4   The total number of operational risks now being reported has decreased from 131 to 113, comprising 1 high (red) risk 66 medium (amber) risks and 46 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 CAA inspection framework has been abolished, the performance drivers within the old 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 have therefore continued 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   The corporate risk management process to enable service level Operational Risk Registers to be brought in line with business planning guidance linked to

the Corporate Plan is now becoming embedded across the Council.

3.2　In drawing up their Business Plans, Assistant Directors and Heads of Service are identifying risks that may prevent them from delivering on their key service objectives and, by monitoring these risks on a regular basis, 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 three divisions, Lifelong Learning, Learner and Family Support and Children's Social Care and risks are monitored in line with the Children and Young People's Trust Plan.

- **Development**

   Development's operational risk register is divided into four operational areas - Planning Services, Economic Development, Transport & Highways and Strategic Housing with risks monitored routinely by senior managers.

- **Community Services**

   The Community Services Risk Champion attends senior management meetings and meets with individual risk owners to review existing risks and increase awareness as a point of discussion for any new or emerging risks. All risks are aligned with the department's business plan which has resulted in a reduction in the number of risks from 30 to 23.

- **Assistant Chief Executive**

   The risk register is awaiting review by the senior management team following the senior management restructure.

- **Corporate Support**

   - Finance, Assets and Efficiencies

   The overarching Finance, Assets & Efficiencies (FAE) risk register for 2011/12 captures the key priority risks from Capital & Assets, Finance and

Value for Money as well as cross cutting risks. Capital & Assets and Finance now have robust risk registers that are monitored at management meetings and via one to one meetings with Heads of Service. The FAE risk register is updated and approved by the Assistant Director. Risk management is a quarterly agenda item for FAE Management meetings and managers throughout FAE 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 are recognised.

- Customer Services & Transaction Team.

Following the recent restructure a new over-arching risk register is in the process of being formulated for these areas.

- ICT

The ICT business plan has been finalised following recent office moves and risks aligned accordingly.

- Democracy & Governance - 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. The Business Plan will be reviewed in the coming months to ensure integration with the four new Council/City wide priorities. Both the Business Plan and Operational Risk Register are stored in the Legal Services S drive and circulated to all Senior Lawyers.

- Human Resources and Organisational Development

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

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 11	No. of Risks – Dec 11	Deleted Risks Dec 11	New Risks Dec 11
Red (High)	2	1	0	0
Amber (Medium)	71	66	12	10
Green (Low)	58	46	17	1
Total	**131**	**113**	**29**	**11**

4.   **Red Risks**

4.1   Of the two "red" risks identified in June 2011, one remains red whilst the other has been reduced to amber as indicated below:

Department	Potential Risk	Comments / Mitigation
NEW RED RISK **Finance, Assets & Efficiencies**	Medium Term Financial Strategy issues	This risk is also included on the Strategic Risk Register. Robust delivery plan structure put in place for 2011/12. Improvement Boards are in place to oversee the "Major Change" agenda.
FORMER RED RISK (Now Amber) **Finance - Capital & Assets**	Failure to maintain trees on the corporate estate. Pockets of land retained by the Council following the stock transfer to Plymouth Community Homes now come under the control of Corporate Property.	Council owned trees have been identified. SLA commenced with Parks last month to inspect trees on council land and carry out maintenance works as appropriate. The management of all Council-owned trees will be centralised as part of the "Corporate Landlord" model approved in November. The "Open Land Review" will also help to reduce this risk through centralised management of all land and property.

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.

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 now being included in Challenge reports provided to the directorate Management Teams for all risks scored 16 and above and updated on a quarterly basis.

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.   Information Governance

6.1 In June's Audit Committee report I reported on the positive steps that are being taken to embed information management principles throughout the organisation.

6.2 The Corporate Information Manager has drafted Terms of Reference for an Information Lead Officer Group (ILOG) which is currently being circulated for consultation. The ILOG will be the corporate forum to enable the promotion of information assets and a reduction in the risk to the council arising from data and information created, obtained, processed, stored and provided by council services.

6.3 To support this objective Risk Champions have included Information Governance as a risk on all Operational Risk Registers and continue to monitor the risk using the template derived from the Information Governance Risk Workshop held in March 2011.

6.4 Devon Audit Partnership's follow-up report on information management arrangements is included in their six monthly update report on today's agenda.

7.   Risks and Corporate Business Processes

7.1 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, project/partnerships management, performance management and business planning.

7.2 Good progress has been made in all of 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. The 2012-15 Corporate Plan will be structured around People, Place and Resources and "Challenges and Risks" will feature prominently.

- **Policy Making –** report authors preparing papers for Member decisions are required to include risk considerations in the front summary sheet for all Committee reports.

- **Competency Framework** - 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 underway 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 and the Localism Bill.
  - Project management arrangements under the control of the Corporate Property team include robust risk management elements.
  - A new Partnerships Framework is being developed by the Policy, Performance and Partnerships Team and is currently out for consultation. This guidance will be used in future to introduce consistent governance principles to new partnerships, supported by a guide to managing risks.

- **Business Planning –** Operational Risks are now being routinely incorporated into departmental business plans as outlined in Section 3 of this report.

- **Performance Management –** information on key risks is now being reported routinely alongside budget delivery, sickness monitoring and other key performance indicators in new style monthly directorate challenge reports.

8.   Risk Management and the Localism agenda

8.1   Significant budget reductions arising from the Comprehensive Spending Review will present unprecedented challenges to the Council in maintaining the delivery of front line services.

8.2   The effects of the economic downturn, coupled with demographic changes and an increasing demand for services, will compound this pressure. Allied to this, the increasing focus on the localism agenda and the development of the Big Society vision will see more public services being delivered by, or in partnership with, charities, communities or other public sector organisations.

8.3   Such a potential shift in the structure of service provision will create significant risks but also present significant opportunities.

8.4   In this challenging climate we recognise that we need to constantly review our approach to managing risk to ensure that short-term budget challenges do not divert us from our vision or prevent us from addressing the longer-term risks that may result from future service delivery models.

8.5   The Council's embedded approach to managing risk at strategic, operational and project levels, supported by a competency framework that recognises and encourages the management of risk as a core management skill, will

ensure that the step changes required are taken with the confidence that risks will be effectively minimised and opportunities fully exploited.

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 2011/12 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 presented t to Audit Committee in June 2012.

10. Recommendation

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