

## PLYMOUTH CITY COUNCIL

**Subject:** Operational Risk Management Update Report  
**Committee:** Audit Committee  
**Date:** 21 June 2012  
**Cabinet Member:** Councillor Peter Smith  
**CMT Member:** Director for Corporate Services  
**Author:** Mike Hocking, Head of Corporate Risk and Insurance  
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**Ref:** CRM/MJH  
**Key Decision:** No  
**Part:** I

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### **Executive Summary:**

At the meeting of the Audit Committee on 21 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 99, comprising 3 high (red) risks, 53 medium (amber) risks and 43 low (green) risks.

The risk reduction is mainly due to the deletion of out of date risks within the Executive Office who are currently revising their risk register following their restructure.

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.

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### **Corporate Plan 2012-2015:**

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 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. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:**

None arising specifically from this report but community safety and health and safety issues and risks are taken in to account in the preparation of risk registers.

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**Recommendations & Reasons for recommended action:**

The Audit Committee is recommended to:

- Note and endorse 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 2012-2015  
Previous reports on risk management to Audit Committee

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**Sign off:**

Fin	DJNI 213.0 08	Leg	LT14 937	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Tim Howes, Asst Director, Democracy and Governance											
Have you consulted the Cabinet Member(s) named on the report? Yes											

## **1. Introduction**

- 1.1** At the meeting of the Audit Committee on 21 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 2012-2015 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 99, comprising 3 high (red) risks 53 medium (amber) risks and 43 low (green) risks.
- 1.5** The risk reduction is mainly due to the deletion of out of date risks within the Executive Office who are currently revising their risk register following their restructure.
- 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 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 embedded across the Council.
- 3.2** In drawing up their Business Plans, Assistant Directors and Head 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:

- **People**

- Homes & Communities & Joint Commissioning and Adult Social Care.

As a result of the senior management restructure, 18 operational risks have been transferred to other areas and 4 risks transferred to Homes & Communities. Risks will be routinely discussed at 6 monthly senior management meetings (DMT) to review, raise awareness and encourage an opportunity for support and challenge.

- Children's Social Care

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.

- **Place**

- The Directorate is currently updating its risk register following the senior management restructure.

- **Corporate Services**

- Customer Services/Revenues & Benefits/Transaction Centre

Risks have been revised following last year's restructure and will be monitored under one risk register.

- Democracy & Governance

Risks continue to be monitored in line with the department's business plan.

- Finance, Efficiencies, Technology and Assets (FETA)

There are currently robust risk registers for Finance and Capital and Assets, the latter of which will need to be reviewed in the coming months to reflect structure changes that are monitored at management meetings and via one to one meetings with the Heads of Service. The Finance Assets and Efficiencies (FAE) risk register is updated by the Assistance Director on a one to one basis but will also need to be reviewed to address the changes to this area. The Assistant Director for FETA gives final approval to the Capital and Assets and Finance elements and provides updates on the cross cutting elements of this register.

- **Executive Office**

Following the recent department re-structure a new Risk Champion has been appointed. Risks were the focus of discussion during a team "away day" at the end of April and a risk register is currently being compiled in line with the revised business plan.

**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 – Dec 11</b>	<b>No. of Risks – Jun 12</b>	<b>Deleted Risks Jun 12</b>	<b>New Risks Jun 12</b>
Red (High)	1	3	0	0
Amber (Medium)	66	53	16	10
Green (Low)	46	43	14	6
<b>Total</b>	<b>113</b>	<b>99</b>	<b>30</b>	<b>16</b>

#### 4. Red Risks

4.1 The “red” risk identified in December 2011 remains whilst two other risks have been escalated as indicated below:

Department	Potential Risk	Comments / Mitigation
<b>EXISTING RED RISK</b>  <b>Finance, Efficiencies, Technology &amp; Assets</b>	Medium Term Financial Strategy issues	This risk is also monitored via the Strategic Risk Register. The situation is being closely monitored through visits to DMT's 3 times a year. The MTFS is being updated on the back of the 2012/13 budget setting process and is due to be presented to Council in June 2012.
<b>NEW RED RISK (formerly amber)</b>  <b>People (Homes &amp; Communities)</b>	Increasing homelessness as a direct result of the Local Housing Allowance (LHA) & Welfare Reform changes	Homelessness has risen over the last few months. We have an increase in the use of temporary accommodation including the use of Bed & Breakfast. Work with stakeholders continues to help people prevent their homelessness. We are working with partners to find new ways to prevent homelessness, as well as working to increase access to the private rented sector. We have recently received information on the 150 households due to be affected by the benefit cap and are able to work with partners to proactively help them avoid homelessness where possible.
<b>NEW RED RISK (formerly Green)</b>  <b>People (Lifelong Learning)</b>	Duty to deliver sufficient childcare including 2 year olds (Ensuring sufficient affordable accessible childcare places in areas of need as per Childcare Act 2006)	The statutory duty to provide sufficient free places to eligible three and four year olds has been extended to include 700 disadvantaged two year olds from the term after their second birthday, by September 2013. Previously there was a lack

		<p>of demand for two year old places in the disadvantaged localities. The new entitlement now exerts a pressure in these areas especially where the three and four year old entitlement is delivered in the maintained sector and a significant increase in places will need to be established in these areas. The Early Years Service has drawn up an action plan and is working with the Capital Projects Team to identify potential new builds or extensions to existing provision.</p>
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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.
- 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 2010/11 Devon Audit Partnership conducted a review of information management arrangements and reported a finding of "fundamental weaknesses" which was reported to this Committee.
- 6.2** Subsequently, in response to the audit findings, the Head of ICT recommended the formation of a corporate Information Lead Officer Group (ILOG) to co-ordinate a more consistent approach to all areas of information management across the Council.
- 6.3** The ILOG's inaugural meeting was held on 22 March and the group is drawing up an action plan to identify and address key information governance issues.
- 6.4** The first of a series of corporate communications on information governance was sent to Team Plymouth on 20 March. These key communications will be designed to raise corporate awareness and improve understanding of information governance issues and principles.

## **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 continues to be 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 is structured around People, Place and Resources and "Challenges and Risk" 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** – The Council's embedded approach to managing risk at strategic, operational and project level is supported by a competency framework that recognises and encourages the management of risk as a core management skill. This ensures that the step changes we are currently making are taken with the confidence that risks will be effectively minimised and opportunities fully embraced. Figures recently obtained from Human Resources for the Alarm/Cipfa Benchmarking exercise confirm that 99.2% of staff assessed on this competency achieve or excel in the level required for their role.

- **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** – 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 2012-2015.

- **Challenge Reports** – 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. Conclusion**

**8.1** 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.

**8.2** 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 2012/13 with regular reporting on a risk rated basis to the Corporate Management Team.

- 8.3** 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 to reducing the Council's overall budget deficit and to meeting the challenges of the current financial climate.
- 8.4** 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.
- 8.5** 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.
- 8.6** 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.
- 8.7** The next report will be presented to Audit Committee in December 2012.

## **9. Recommendation**

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