

PLYMOUTH CITY COUNCIL

Subject: Operational Risk Management Update Report
Committee: Audit Committee
Date: 13 December 2012
Cabinet Member: Councillor Lowry
CMT Member: Director for Corporate Services
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Ref: CRM/MJH
Key Decision: No
Part: I

Executive Summary:

To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with business planning, projects, change programmes and partnerships.

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.

The total number of operational risks now reported has increased from 99 to 163, comprising 4 high (red) risks, 81 medium (amber) risks and 78 low (green) risks.

The risk increase is mainly due to the addition of 35 new Executive Office risks and 17 from the Library Service.

Commentary on the high risk areas is included in the report together with details of control actions/mitigation in place.

Corporate Plan 2012-2015:

Operational Risk Registers are 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.

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. 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.

Recommendations & Reasons for recommended action:

The Audit Committee is recommended to:

- Note and endorse 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 and Opportunity 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

Sign off:

Fin	DJN1 213.0 21	Leg	1624 7/DV S	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** To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.
- 1.2** The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with business planning, projects, change programmes and partnerships.
- 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 increased from 99 to 163, comprising 4 high (red) risks 81 medium (amber) risks and 78 low (green) risks.
- 1.5** The risk increase is mainly due to the addition of 35 new Executive Office risks and 17 from the Library Service.
- 1.6** The report includes commentary on the high risk areas identified together with details of control actions/mitigation.

2. Background

- 2.1** Nine years ago Plymouth City Council implemented its first risk management strategy. This has been continuously reviewed each year and updated to ensure it remains fit for purpose.
- 2.2** To comply with the Risk Management Strategy each Directorate must implement a robust process of managing risks to corporate, service, project and partnership objectives for which they have responsibility.
- 2.3** To support the promotion and co-ordination of risk management each Directorate/Service has a dedicated Risk Champion. Risk Champions represent their Directorate/Service at the Operational Risk Management Group which is chaired by the Head of Corporate Risk and Insurance.
- 2.4** 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**

Risks are routinely discussed at 6 monthly senior management meetings (DMT) to review existing risks and raise awareness, together with encouraging an opportunity for support and challenge. A recent audit carried out by Devon Audit Partnership rated the risk management processes within the directorate as “Driving” the business which is the highest rating achievable based on Alarm’s National Performance Model for Risk Management. This demonstrates that the management of risk and uncertainty is well integrated with all key business processes and shown to be a key driver in business success. The achievement of this rating, particularly in light of the recent corporate restructure, would not have been possible without the commitment to the risk management process of the directorate’s DMT with the help of their Risk Champion.

- **Place**

Risks are identified at SMT meetings for each service. These are then reported upwards to DMT for evaluation and sign off. Risks are regularly monitored at SMT level and any deviations reported to DMT. The whole process is co-ordinated and administered by the departmental risk co-ordinator and risk champion who interface with the corporate risk management team. Risks have been reviewed following the senior management restructure and two new red risks have been identified, the details of which are shown in paragraph 4 of this report.

The recent Devon Audit Partnership report rated the directorate risk management performance as “working”, the third highest rating.

- **Corporate Services**

- **Customer Services & Transaction Centre**

Risks have been reviewed and updated to include the Library Service. Revenues risks have been transferred to Finance, Efficiencies, Technology and Assets (FETA).

- **Democracy & Governance**

New risks have been added for Risk Management & Insurance and the Registration Service. A review is currently underway for Democratic Support. The Electoral Registration Service has a well established framework in place for risk assessment in line with Electoral Commission standards and maintains two Risk Registers to cover the preparation and publication of the Register of Electors and the risk assessment and contingency planning at elections and polls. To avoid duplication of work it has been agreed that the Electoral Services Manager will continue to maintain and monitor these risk registers within the Electoral Commission Framework.

- **Finance, Efficiencies, Technology and Assets (FETA)**

FETA consists of Finance, ICT, Corporate Property, Strategic Procurement and Revenues and Benefits and each area has had a thorough review during this monitoring period. The existing

Capital and Assets risk register has been totally revamped to reflect the span of control now sitting with the Head of Capital and Assets and has been renamed “Property and Procurement”. There have been no real changes to the Finance risk register but the ICT risk register has been totally replaced to reflect the pressures that sit with this service in relation to corporate and service plans. A new risk register has also been developed for Revenues and Benefits to highlight the major changes expected from Welfare Reforms. The Risk Champion for FETA took part in the pilot of the revamped risk and opportunity register template and provided constructive input to the revised Risk and Opportunity Management Strategy. More detail on this revised strategy is provided in paragraph 7 of this report.

- Human Resources and Occupational Development

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

The recent Devon Audit Partnership report rated the directorate risk management performance as “embedded and integrated”, the second highest rating.

- **Executive Office**

The Executive Office now has a dedicated Risk Champion who has been actively promoting the risk management strategy. As a result a new risk register has been drawn up that includes risks relating to Policy, Performance and Partnerships plus the Communication and Civil Protection Teams.

The recent Devon Audit Partnership report rated the directorate risk management performance as “working”, the third highest rating.

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 12	No. of Risks – Dec 12	Deleted Risks Dec 12	New Risks Dec 12
Red (High)	3	4	0	1
Amber (Medium)	53	81	7	41
Green (Low)	43	78	13	42
Total	99	163	20	84

4. Red Risks

4.1 Two of the “red” risks identified in June 2012 remain whilst one has been reduced to amber. One new risk has been added and one amber risk escalated to red, as indicated below:

EXISTING RED RISK	Medium Term Financial Strategy issues
Dept: Finance, Efficiencies, Technology & Assets (Finance)	
Comments/Mitigation: This risk is also monitored via the Strategic Risk Register. The MTFs has been updated on the back of the 12/13 budget setting process. An additional Group Accountant role is in place to focus on key projects. There is less clarity around	

funding from central government so the council is increasing its attendance at appropriate conferences and is actively networking and modelling.	
EXISTING RED RISK Dept: People (Homes & Communities)	Increasing homelessness as a direct result of the Local Housing Allowance (LHA) & Welfare Reform changes
Comments/Mitigation: Stuart Palmer presented an update for this risk at Audit Committee on 28 September 2012. Service demand is still increasing and the use of temporary accommodation is still high. A number of new controls have been implemented including; Increasing the number of Houselet properties; Increasing capacity of Easylet; Pilot scheme to create more private sector accommodation; increasing support into vulnerable families in the private sector. Local Housing Allowance (LHA) action plan has been written and is regularly monitored and to be reviewed in 6 months time.	
NEW RED RISK (formerly amber) Dept: Place (Planning & Regeneration)	Loss of public records due to failure to meet PD5454 Standards
Comments/Mitigation: The Record Office has been condemned by the National Archive as not suitable for the storage of valuable documents. A deadline of April 2013 has been given to find alternative accommodation. A feasibility study has been undertaken on a site in the Royal William Yard which has come back unrealistically high in terms of cost. Over the next 2 months an options appraisal will be carried out on Tavistock Place, with a preferred option to be highlighted by January 2013. A range of external funding bodies will be applied to for capital support in the New Year.	
NEW RED RISK Dept: Place (Transport & Highways)	The proposed Community Infrastructure Levy (CIL) to be introduced in 2013 cannot be used to repay loans.
Comments/Mitigation: To forward fund the delivery of the East End Transport Scheme, the Council entered into a Regional Infrastructure Fund (RIF) funding agreement in 2010 for £6.8m, borrowing against future transport tariff receipts. The tariff approach is being replaced by the Community Infrastructure Level (CIL) from April 2013. The Council has drawn down all of the money and repayment is expected from September 2013. The RIF was originally administered by the Regional Development Agency (RDA) but that responsibility has now been transferred to the Homes and Communities Agency (HCA). Initial legal advice indicates that we cannot repay existing loans using CIL, further legal opinion is being sought as to whether the original agreement still applies following the Government's decision to remove the means by which it would be repaid.	
AMBER RISK (formerly Red) Dept: People (Lifelong Learning)	Duty to deliver sufficient childcare including 2 year olds (Ensuring sufficient affordable accessible childcare places in areas of need as per Childcare Act 2006)
Comments/Mitigation: The Lead Officer for this risk – Jo Hall presented an update at Audit Committee on 28 September 2012. A decrease in score reflects that there are on going discussions with the Capital Strategy team to identify the £1.5m required for expansion of places from the capital programme. A co-ordinated delivery programme is now in place. There has been a Government announcement on capital funding to support the development of places for disadvantaged two year olds although we are unclear of Plymouth's allocation as yet.	

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 Risk templates have been revised to include opportunities that may be realised following successful management of risk.
- 5.3 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 Risk and Opportunity Management Strategy.
- 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, a corporate Information Lead Officer Group (ILOG) was formed in March 2012 to co-ordinate a more consistent approach to all areas of information management across the Council.
- 6.3 Each Directorate has an Information Lead Officer (ILO) to provide the means for achieving a coordinated information governance framework that will develop an increasing return on information holdings and improvements to service delivery.
- 6.4 An ILOG Action Plan has been drawn up together with a Communication Strategy for cascading information to staff via a variety of means. This includes Team Briefings, payslip inserts and bulletins on the Staffroom Page. The Corporate Information Manager and Head of Corporate Risk and Insurance have also been attending Directorate DMT's to brief senior managers on the issues.
- 6.5 Risk Champions have been assisting the ILOG by carrying out a risk based audit within their Directorates.
- 6.6 There will need to be a cultural shift within the organisation with regard to the management of information and the Information Lead Officer Group will continue to roll out communications to staff to make them aware of information governance and policies and guidelines.

7. Risk and Opportunity Management Strategy

- 7.1 The new administration's commitment to adopt a Co-operative Council model will see more public services being delivered by, or in partnership with, charities, communities and other public sector organisations and understanding the risks and looking at how they can be mitigated is necessary for effective delivery. Such potential shift in the structure of service provision will create significant risks but also present significant opportunities.
- 7.2 The Local Government Governance Review 2012 produced by Grant Thornton recommends that Councils enhance their risk management processes to maximise opportunity rather than, as traditionally, minimise risk.
- 7.3 In light of the above the Risk Management Strategy has been renamed to include 'Opportunity' and reviewed following consultation with Risk Champions and the Council's insurance

advisors, Gallagher Heath, and will provide staff with a process for identifying threats or drawbacks that also includes finding and considering opportunities and become more outcome focussed.

7.4 Risk Champions have been using a new risk template during this round of monitoring which has been well received by officers who are being encouraged to include details of any opportunity that may arise from the successful management of each risk.

7.5 The new Risk and Opportunity Management Strategy will be presented as a separate item on this Committee agenda.

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 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 new Risk and Opportunity Management Strategy will provide staff with a process for identifying threats or risks that includes becoming more outcome focussed to be able to manage the upside of risk.

8.7 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.

8.8 The next report will be presented to Audit Committee in June 2013.

9. Recommendation

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