

PLYMOUTH CITY COUNCIL

Subject: Operational Risk Management Update Report
Committee: Audit Committee
Date: 13 June 2013
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 and Opportunity Registers in line with the Council's shared vision and priorities.

The total number of operational risks now reported has decreased from 163 to 159, comprising 3 high (red) risks, 82 medium (amber) risks and 74 low (green) risks.

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 and Opportunity 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 and opportunity 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 and opportunity 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	DJNI 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 and Opportunity 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 163 to 159, comprising 3 high (red) risks 82 medium (amber) risks and 74 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** Ten 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 and Opportunity 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 and Opportunity Registers monitored routinely alongside the delivery of Business Plan objectives.

3. Operational Risk and Opportunity Registers and Analysis of Risks Identified

- 3.1** The corporate risk management process to enable service level Operational Risk and Opportunity 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 and Opportunity Registers or are reporting work in progress in line with development of their Business Plans.
- 3.5** The table below shows the total number of risks now identified in operational risk and opportunity registers across the Council and shows the comparison with the last monitoring period:

Risk Category	No. of Risks – Dec 12	No. of Risks – Jun 13	Deleted Risks Jun 13	New Risks Jun 13
Red (High)	4	3	0	1
Amber (Medium)	81	82	4	9
Green (Low)	78	74	12	2
Total	163	159	16	12

4. Red Risks

- 4.1** Two of the “red” risks identified in Dec 2012 remain whilst two have been reduced to amber. One new risk has been added, as indicated below:-

EXISTING RED RISK Dept: Finance, Efficiencies, Technology & Assets (Finance)	Medium Term Financial Strategy issues
Comments/Mitigation: This risk is also monitored via the Strategic Risk and Opportunity Register. The Medium Term Financial Plan supersedes the Medium Term Financial Strategy for 13/14 for the next 5 years and includes Pension Auto Enrolment and 3 year revaluation impact. The budget was presented to senior officers and members in a different format, itemising all income and gross spend. There is now greater transparency and challenge.	
EXISTING RED RISK Dept: People (Homes & Communities)	Increasing homelessness as a direct result of the Local Housing Allowance (LHA) & Welfare Reform changes
Comments/Mitigation: Service demand still currently increasing and the use of temporary accommodation is still high. New controls implemented are - Increased access to Welfare benefits and income maximisation advice through Housing Options/Advice Plymouth. Continued work with partners to work and support families affected by the bedroom tax. Launch of pre-court eviction panel. Continued expansion of Easylet scheme to increase access to affordable Private Rented Accommodation.	
NEW RED RISK Dept: Place (Transport & Highways)	Deterioration of the condition of the City's Highway Network (carriageway and footway)
Comments/Mitigation: This risk is also monitored via the Strategic Risk and Opportunity Register. The condition of the Highway network is a significant concern across the city as well as being a national issue. At Feb 2013 Full Council meeting a further £20m of capital investment over a 10 year period for highway maintenance was approved.	

FORMER RED RISK (Now 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 preferred option has been identified and consultants are being brought on board to develop design plans ready for submission to the Heritage Lottery Fund for the end of November 13. Concurrently we are looking at the business planning and service delivery models. The National Archives have agreed an extension to the Place of Deposit status for PWDRO based on progress but will continue to monitor closely.	
FORMER RED RISK (Now Amber) 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. So far £139k of tariff has been collected to repay the loan and will continue to be collected until 2016, when the repayment mechanism may be reviewed. Legal opinion to be sought as to whether the original RIF agreement still applies following Government decision to remove the means by which it would be repaid and whether the use of S106 agreements which make no reference to repayment of a RIF loan but to sufficiently to ring fence these s106 contributions to delivery of future Strategic Transport infrastructure. Identify opportunities for new S106 contributions and capital funding from 2016 onwards.	

5. Risk and Opportunity Register Information

- 5.1 Operational Risk and Opportunity 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 and opportunity registers can be obtained from the Head of Corporate Risk & Insurance, departmental risk champions or Heads of Service.

6. Information Governance

- 6.1 A separate Annual Report will be presented to today's Committee outlining the work that has been undertaken by the Information Lead Officers Group (ILOG) during the last twelve months to improve information governance across all directorates.

7. Conclusion

- 7.1 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.
- 7.2 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.

- 7.3** 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.
- 7.4** 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.
- 7.5** 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.
- 7.6** 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.
- 7.7** 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.
- 7.8** The next report will be presented to Audit Committee in December 2013.