

Committee: Performance Select
Date: 17 November 2009
Title: Risk Management
Author: John Mitchell, Chief Executive

Agenda Item

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Item for
decision

Summary

- 1 It has been identified by the council's Strategic Management Board and this committee that the current approach to risk management requires review.
- 2 It is one area in the Use of Resources inspection that the Audit Commission has highlighted as being in need of improvement, particularly the fact that risk management is not embedded or integrated with performance management and financial planning.
- 3 The council's approach is therefore being reviewed and this report updates members on the planned approach.

Recommendations

That the committee notes the report

Background Papers

None

Impact

Communication/Consultation	None
Community Safety	None
Equalities	Equalities issues can be integrated into risk management programme where relevant
Finance	Integration between risk management and finance
Human Rights	None
Legal implications	None
Sustainability	Sustainability issues can be integrated into risk management programme where relevant
Ward-specific impacts	None
Workforce/Workplace	Better understanding of risk management for managers across the authority

Situation

- 4 The results of the Audit Commission Use of Resources inspection show the council scoring a 1 (below minimum standards) for risk management. This is mainly because risks are not linked to performance management and especially to financial planning, although a risk assessment does form part of the budget approval process.
- 5 A group comprising the Chief Finance Officer, Head of Community Engagement, Business Improvement and Performance Manager and Cllr Andrew Yarwood is developing a new approach to risk management, with the aim of improving current practices and better embedding a risk management culture across the authority. The group has taken on the advice given by the Audit Commission in devising its approach.
- 6 This report comprises the outcome of the first two meetings of this group, along with discussions by the Strategic Management Board and further information from Cllr Yarwood.
- 7 The outcomes needed by the end of this financial year are:
 - New risk management strategy, including new assurance framework
 - New corporate risk register, aligned to corporate plan and budget, to go to PSC on 2 February and then to Full Council for approval on 18 February
 - New operational risk register, aligned to divisional plans, comprising a maximum of 100 risks – 10 per division/major service area
 - New corporate risk register comprising 10 to 20 risks
- 8 In order to achieve this, it is the opinion of the working group and SMB that the slate needs to be wiped almost clean and risk registers built again based on only the most pressing risks in each service. The following steps have been identified in order to introduce the new approach to risk management:
 - Establish the council's risk appetite – in terms of the number of risks it considers acceptable (recommended 100 operational and no more than 20 corporate as above), the level at which they need to be included on registers (recommended 6) and the risk level at which they become subject to review (recommended 9). All current risks with a score below 6 are currently being deactivated. The end

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result will be the current approx 680 operational risks will be reduced to 280 approx.

- A workshop will be held with SMB and Heads of Division to refresh understanding of risk management, to give basic, real life examples, to instil a sense of perspective around risks and to demonstrate to managers the incentive to conduct proper risk management in the interest of protecting services. Cllr Yarwood has offered to be involved in this workshop. External facilitation is an option if considered appropriate.
 - HoDs to work with service managers to identify key operational risks
 - Peer challenge and review of new risk registers, with input from Cllr Yarwood
 - Collation and review by SMB prior to discussion at PSC and Full Council
 - Building upon the risk analysis methodology already used when preparing the Chief Finance Officer's Section 25 advice on the robustness of estimates and adequacy of reserves, budget papers to take explicit account of the risk register.
 - Refreshed and simplified guidance issued on managing risks through Covalent – the council's performance management software
 - Member and SMB champions to be appointed. The role of the member champion is to act as a sounding board as and when required for the officer champion and to provide specialist advice and guidance at PSC
 - Establish new reporting regime whereby all risks scoring 9 and above tracked and challenged by SMB and reported to PSC on a quarterly basis, as with performance indicators
 - All risks moving up to a score of 9 or above to be considered by PSC to ensure appropriate action is being taken
- 9 Performance Select will continue to review the current top rated risks until the new system is implemented.
- 10 Cllr Yarwood has been involved in developing the approach outlined above and has provided the following conclusion:
- 11 "This proposal for risk management is achievable for UDC to implement within a very short timescale. This will provide risk

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management structure, set up a risk reporting framework and a defined risk appetite.

- 12 “By continuing to use the Covalent system for recording and managing risks the proposal minimises impact to the council. The proposal will instantly remove the current excessive numbers of risks and allow UDC to focus on its high risk items.
- 13 “The reduction of risk numbers and simplification of registers will save time and allow focus on the right items. This will also enable efficient embedding of risk management into UDC. It is thought that some workshops with risk owners will help officers understanding of what is required of them, whilst reassuring them of their role in the process.
- 14 “The aim here is to implement a system that will provide evidence in a short period of time that risk is managed better by UDC so that the Audit Commission will be comfortable in increasing its score for UDC. That is UDC has a register of its Operational and Corporate Risks, that risks are regularly reviewed and that the risk process is working.”

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Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
That the council fails to demonstrate it has made the necessary improvements in the area of risk management by the time of the next Use of Resources inspection	2 – The approach outlined above is achievable in a short period of time; however the Audit Commission has indicated it may begin its next inspection as early as January 2010	3 – The council fails to move off a level 1 for risk management	Work is already underway on reducing the council’s risk registers. A clear set of deadlines are outlined above, with adoption of new registers and strategy before the end of this financial year. The Audit Commission has stated there would be time for it to come back and look at areas where outcomes cannot be assessed outside the proposed January to March inspection period
Risks are not properly identified or managed with the result that preventable problems occur	2 - current risk registers are burdensome; however the proposals above will deal with this issue	3 – The council may fail to effectively manage the most likely risks or those with the highest impact due to the current weight of information contained within risk registers	New approach coupled with training for all those with responsibility for risk management will ensure a corporate approach which focuses on the real risks facing services and the authority. The adoption of a new risk strategy and appetite that are linked to both the council’s corporate priorities and budget is designed to address risk management in a simpler and more streamlined way.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.