

MANCHESTER CITY COUNCIL
REPORT FOR INFORMATION / RESOLUTION

COMMITTEE **Audit Committee**

DATE: 22 March 2007

SUBJECT: **Development of the Corporate Risk Register**

REPORT OF: **The City Treasurer**

PURPOSE OF REPORT

To inform members about the developing methodology for and current status of the Corporate Risk Register following introduction of supporting risk management arrangements within business planning.

RECOMMENDATIONS

Members are requested to:-

- 1) Note the progress made in updating and further developing the Corporate Risk Register.
- 2) Consider if and when the Corporate Risk Register will be reviewed as part of the committees work programme in the coming municipal year.

FINANCIAL CONSEQUENCES FOR THE CAPITAL AND REVENUE BUDGETS:

None

<u>CONTACT OFFICERS</u>	<u>Tel Number</u>	<u>E~Mail Address</u>
Richard Paver	234 3564	r.paver@manchester.gov.uk
John Bradley	234 1429	j.bradley@manchester.gov.uk
Geoff Little	234 3317	g.little@manchester.gov.uk
John Gill	234 3715	j.gill1@manchester.gov.uk

BACKGROUND DOCUMENTS

none.

WARDS AFFECTED N/A

IMPLICATIONS FOR KEY COUNCIL POLICIES

<u>Anti-poverty</u>	<u>Equal Opportunities</u>	<u>Environment</u>	<u>Employment</u>
None	None	None	None

1. Introduction

- 1.1 The Audit Committee, at its meeting in June 2006, considered the Corporate Risk Register (CRR) which had been adopted by the Strategic Management Team (SMT) as the way of overseeing, at a strategic level, the risks to the achievement of the Council's objectives. In noting the contents of the CRR members referred the content to Chairs of Scrutiny Committee for consideration in relation to their work programmes.
- 1.2 Since the June meeting, the Council has radically redesigned its business planning methodologies, including how they address risk management. This was to be the main process for continuing to embed risk management. The new structure of business planning, set as it is at "Heads of Service" level provides an excellent bridge between strategic risks overseen by Strategic Directors and how these risks translate into operational risks overseen by managers at various levels. The approach adopted provides both the opportunity for the CRR to inform business planning as a contribution to managing those risks but also acts as an early warning of a worsening status of the those risks included in the CRR or indeed to flag new risks which ought to be brought under the umbrella of the CRR and be overseen by SMT.
- 1.3 The new business planning methodology has enabled a significant step forward to be taken in embedding risk management but it has also highlighted the need to refine the process of updating the CRR both in relation to escalating existing risks and agreeing new areas. However, at this stage the methodology has been inconsistently applied partly as a result of the condensed timescales associated with the introduction of the new methodology and the need to develop the skills and experience of managers in consistently utilising the methodology. As a result further work needs to be completed over the coming weeks to enable SMT to consider and agree an updated version of the CRR
- 1.4 This report outlines a preliminary assessment of the status of the risks contained within the CRR considered in June, highlights some of the potential issues which will need to be considered by SMT in updating the CRR and provides details of the increased support put in place by The Chief Executive to ensure that risk management develops into an effective management tool.

2. The Existing Corporate Risk Register

- 2.1 The CRR considered in June 2006 contained 18 risks which are listed in summary form at Appendix 1. At the time of the review by Audit Committee, members commented on the benefits of separately identifying those risks which are internal to the Council and those which relate to external relationships.
- 2.2 Since that Meeting the Council has established the Public Service Board to oversee the operation of the Manchester Partnership and it is considered that there is merit in splitting risks in the CRR between SMT and the Board. In relation to the current CRR this would mean that the following risks would be reassessed from this dimension

- Failure to deliver key objectives within the Respect agenda has a destabilising effect within sensitive neighbourhoods and affects the overall programme to deliver neighbourhoods of choice.
- Relationships with key public partnership agencies (for example, Health, Police) fail to deliver anticipated outcomes in joint working initiatives
- Failure to implement key strategies to reduce worklessness and improve the quality of work opportunities, impacts on individual well being and affects the ability of the Council to deliver its aims for the city (neighbourhoods of choice, individual and collective self esteem, reaching full potential).

2.3 In relation to the management of the risks within the CRR the following should be noted

- The Joint Venture arrangements relating to the future of City Works have successfully developed to a stage that SMT will consider whether or not this can now be omitted from the CRR
- Interrelated risks relating to the budget, the continuation of external funding and expectations of savings from the Manchester Improvement Programme have required significant managerial attention. Controls have been strengthened as a result of this managerial activity
- The position in relation to the implementation of single status has progressed with particular emphasis placed on resolving equal pay settlements. The current position on single status and the implications for equal pay claims will need to be re-assessed in the light of this progress

While additional measures have been put in place to address these matters as they developed, SMT will clearly need to formally review whether or not the controls which are in place to manage these risks will need to be amended in the light of their updated assessment.

2.4 This analysis has confirmed that the issues which have most concerned SMT since the CRR was reviewed were successfully identified and that no other significant strategic issues have emerged which, with hindsight, should have been included. However, the risks outlined in the CRR are, in some cases, drawn very broadly and some may benefit from more focus in the light of the way in which these risks manifest themselves in the individual service Business Plans

3 Risk Identified in Business Plans.

3.1 The methodology for identifying risks categorises them into high, medium and low. In relation to the consideration of risks as candidates for the CRR it is natural to review all high risks (those with a high consequence and a high or medium likelihood of coming to fruition or those with a medium consequence which are judged as highly likely to materialise).

- 3.2 The Draft Business plans have identified 134 high risks. 71 of these directly relate to risks contained within the CRR principally relating to the budget, continuation of external funding and in relation to workforce capacity (including single status), largely reflecting the issues outlined in section 2. Not only does this provide evidence on which SMT can base their assessments of consequence and likelihood of risks materialising but the emphasis placed on these risks may point to the need to refocus the risks or controls articulated in the CRR.
- 3.3 Some of the residual high risks relate to issues which SMT may not consider sufficiently strategic or indeed may represent incorrectly high assessments. However, many of the remaining risks require more specific assessment because they do not clearly reflect the nature of the issue. For example, on a number of occasions Heads of Service have identified, in some form or another, failure to achieve performance targets as a high risk. However, it is the reason why performance may be jeopardised which represents the risk. This could be lack of resources, lack of staff, failure of IT systems or a more specific issue relevant to that particular service
- 3.4 . Four workshops have recently been completed for Heads of Service and their teams which examined risk registers in business plans. This confirmed that there was variable understanding of the methodology and it would be wrong for SMT to reconsider the CRR at this stage in the light of the analysis provided by Business Plans without giving the opportunity for Heads of Service to confirm their assessments.
- 3.5 In giving Heads of Service the opportunity to reflect, the intention is therefore to request Heads of Service to formally report high risks identified in their Business plans to their respective Strategic Directors together with their assessment of how these risks are controlled so that Strategic Directors can recommend to SMT whether or not the CRR needs to be amended.
- 3.6 This principle needs to be established on an ongoing basis and it is intended that the methodology for reviewing Business Plans will require that Strategic Directors are updated in this way on a quarterly basis.

4 Support for the further Development of Risk Management and the CRR

- 4.1 The new methodology for business planning was designed for a number of reasons including its contribution to risk management. It is recognised that, at this stage, the process has only progressed through half of the annual cycle and, as such, cannot be expected to be fully developed. The Chief Executive has overseen a review of the effectiveness of the process and has identified the need to provide corporate support to and constructive challenge of Heads of Service in the development of Business Plans.
- 4.2 A working group of senior officers has now been established to develop that support and to provide effective challenge. Business planning, including how this informs the Corporate Risk Register, will now be the subject of continuous improvement during the coming year. In relation to risk management, these arrangements will be supplemented by additional guidance and support made available to all managers.

5 Conclusion

- 5.1 The Corporate Risk Register considered by Member in June 2006 has proven to be an accurate reflection of the strategic risks faced by the Council. Several of the risks identified have required managerial action over recent months to contain their impact.
- 5.2 The new business planning methodology will significantly improve the way in which risks are escalated and cascaded from the strategic to the operational levels but the process, which is in first iteration, has provided mixed results, albeit this was anticipated when introducing the new methodology. This has delayed the expected review of the CRR which will now be completed over the coming weeks.
- 5.3 Additional support has been identified to support the business planning process and methodologies for reviewing the progress of business plans will ensure that risk registers will be maintained and updated on a quarterly basis.

Corporate Risk Register - June 2006

1	Failure to effectively integrate Children Services and to deliver the Children's Plan
2	Housing market fails to develop in line with council objectives. Population increases do not materialise and economic growth in key deprived areas is slowed or reversed. Lack of housing choice fails to attract new residents"
3	Stock Transfer fails and decent homes standards not achieved. Failure part way through the transfer process leaves the council with a residual stock of substandard housing and limited options for a management strategy
4	Failure to deliver new JVC structures that reflect value for money and establish partnership working has significant financial and organisational consequences for the Council.
5	Review of Manchester Education Partnership fails to configure cost effective services which make a significant contribution to meeting worst quartile education performance targets as well as delivering efficiency savings
6	Building Schools the Future, academies and the associated district model of governance fails to deliver a step change in improvement in key education performance targets
7	Failure to effectively manage the Council's budget in the light of volatile spending in some services, high overall expenditures judged as poor value for money and the need to generate efficiency savings to balance the medium term budget.
8	External funding from Government and/or partners fails to materialise or is significantly reduced or withdrawn
9	Failure to deliver key objectives within the Respect agenda has a destabilising effect within sensitive neighbourhoods and affects the overall programme to deliver neighbourhoods of choice.
10	Failure to deliver single status and achieve the necessary skilled, stable and representative workforce including effective recruitment and retention
11	Failure to secure the development of a workforce that has the capacity and flexibility to manage and deliver the programme of internal changes to service delivery.
12	IT and Council-wide infrastructure (including staff resources and appropriate skills) fails to deliver service improvement dependent on new technologies.
13	Inability of Councils business continuity arrangements to cope with scale of interruption. The Council is unable to restore services to local population quickly.
14	Failure to deliver critical initiatives directly related to the City Council's strategy for economic growth

15	Relationships with key public partnership agencies (for example, Health, Police) fail to deliver anticipated outcomes in joint working initiatives
16	The Manchester Improvement Programme generally fails to deliver the step change improvement in customer service delivery and / or generate required levels of financial savings.
17	Failure to implement key strategies to reduce worklessness and improve the quality of work opportunities, impacts on individual well being and affects the ability of the Council to deliver its aims for the city (neighbourhoods of choice, individual and collective self esteem, reaching full potential).
18	The Council is retrospectively found to be in breach of regulations regarding the use of grant funding producing a demand for clawback of funding (for example to ERDF).