

MANCHESTER CITY COUNCIL
REPORT FOR INFORMATION / RESOLUTION

COMMITTEE **Audit Committee**

DATE: 25 January 2007

SUBJECT: **Risk Management**

REPORT OF: **The City Treasurer**

PURPOSE OF REPORT

To inform members about progress in developing risk management methodologies in the light of Use of Resources assessment criteria.

RECOMMENDATIONS

Members are requested to:-

- 1) Note progress being made in embedding risk management within business planning processes and the way in which this is informing the operation of the Corporate Risk Register.
- 2) Note the intention to resubmit the Corporate Risk Register to the March 2007 meeting of this committee for consideration.
- 3) Comment on the extent, level and format of risk management training which should be made available to Members

FINANCIAL CONSEQUENCES FOR THE CAPITAL AND REVENUE BUDGETS:

None

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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 Terms of Reference for the Audit Committee include the requirement “to oversee the effectiveness of the Council’s risk management arrangements”. In June 2006 Members considered and approved the Risk Management Policy and Strategy and reviewed the Corporate Risk Register. It was noted that it was intended to review planning methodologies to ensure risk management processes were effectively addressed at all levels. Subsequently, the Audit Commission in its annual “Use of Resources Assessment” increased the assessment of risk management arrangements from level one to a level two. In their resultant report they reflected that to move to a level three “it will be important that the Council’s approach to risk management is fully embedded within services”.
- 1.2 Since the June meeting, the Council has radically redesigned its business planning methodologies, including how they address risk management as the main process for continuing to embed risk management. Whilst the resultant business plans are still in draft, the content has been used to assess the extent to which risk management is effectively being undertaken across the Council and also as a source of information against which the operation of the Corporate Risk Register can be assessed.
- 1.3 This report is structured to show the “Use of Resources” criteria which need to be addressed to move to a level three assessment and outlines progress and actions against each of these criteria so that Members can assess the progress being made.

2. Use of Resources - Criteria relating to Risk Management.

- 2.1 There are five level three criteria, each of which is outlined in the following section
- 2.2 ***The risk management process is reviewed and updated at least annually.***
 - 2.2.1 The risk management process was subject to review by SMT in May 2006 resulting in ratification of the implementation strategy by Audit Committee in June 2006. Subsequently, significant changes were made to the business planning process currently underway (outlined more fully below). It is intended to again review arrangements as part of the annual review of internal control and to update Audit Committee accordingly in June 2007. In addition, a Service Improvement Project (SIP) is planned in 2007/8 which will review resources deployed to support risk management.
- 2.3 ***The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.***
 - 2.3.1 A working group of officers has been drawn up to consider, amongst other things, three new mandatory Use of Resources criteria relating to partnership of which risk management is one. Work will be undertaken over the coming

months to assess arrangements within an agreed list of significant partnerships

2.4 *All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.*

2.4.1 This area is at the heart of the Audit Commission's point about embedding risk management at all levels. The starting point has been to use the new business planning methodology. This identifies 30 Heads of Services as being accountable for producing business plans including assessing risks and outlining how they are controlled. Once this layer of risk management is operating effectively the process of cascading risk management down to unit level can be more formally developed from a sound starting point

2.4.2 It is clear that the revised business planning approach has provided a significantly enhanced perspective on risk both to inform the Corporate Risk Register and to help manage risk at an operational level. However, it is recognised that the new methodology needs refinement both to achieve consistency and to further embed risk management processes as an effective management tool.

2.4.3 The results from this first year of operation are encouraging but there are some weaknesses within the individual registers and areas that need further development within the methodology. Examples of the difficulties faced are as follows:-

- High risks "accepted" without clarity about the implication of this.
- Similarly, high risks "rejected" without an understanding about what should happen as a result (i.e. further controls to mitigate are required).
- No responsible manager identified (particularly against rejected risks).
- Controls to manage risk not effectively described
- Inconsistent application of scoring methodologies

2.4.4 Invariably many of these issues stem from the need to develop the skills of managers in using the methodology (the essence of the criterion described above). The limited time and opportunity available to assist Heads of Service and their planning teams during the challenging timescales associated with this year's business planning process has only provided for the partial development of skills.

2.4.5 It is proposed to hold, during February, a series of developmental workshops to assist Heads of Service and their teams in strengthening and embedding risk management within business plans. It is hoped that the Audit Commission will be able to assist in this process in reviewing and advising on developing arrangements which are concerned to embed risk management within day to day management arrangements.

2.5 *The members with specific responsibility for risk management have received risk management awareness training.*

- 2.5.1 To date there has been no formal training given to Members in relation to risk management although it should be recognised that Members are likely to have varying degrees of knowledge based on their involvement in other areas,
- 2.5.2 A level four use of resources criterion outlines the need to provide risk management training to all Members of the Council, but in the first instance, at level three, training could be limited to Lead Members and Members of the Audit Committee. Members views about the extent, level and format of risk management training would be welcomed.

2.6 *Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate.*

- 2.6.1 Audit Committee reviewed the Corporate Risk Register (CRR) in June 2006. The development of the new business planning methodology has provided an opportunity to reflect not only on that process but also on the implications for the CRR. In addition, in recognising that constructing and monitoring a CRR was a relatively new venture both for SMT and the Audit Committee the current review has been an opportunity to reflect on those risk identified in June and consider if they were correctly assessed and effectively managed over the last six months.
- 2.6.2 A draft discussion paper has recently been produced, initially for the City Treasurer (who has Strategic Director responsibility for Risk Management) and the Assistant Chief Executive (Performance) who is leading on the development of business planning. This outlines an number of areas for SMT consideration including:-
- Whether or not the CRR accurately identified the key risks to the Council. Evidence from business plan assessment suggests that no entirely new areas have been identified although some of the wording in one or two areas may need to be modified.
 - Picking up on an issue raised by Members of Audit Committee, some of the risks relate to external influences especially relevant to the Manchester Partnership, for example levels of worklessness. Others relate specifically to the internal operation of the City Council and the direct delivery of services. The draft discussion document outlines that it may be appropriate to consider the CRR in two parts. One, effectively outward facing, overseen by the Partnership Board and the other relating to internal issues overseen by SMT or CMG.
 - The methodology and support needed to assist Strategic Directors in monitoring and reacting to the changing nature of risk needs to be reviewed,. Certainly, work has been necessary to address several of the risks listed in the June version of the CRR and SMT need to assess if the risk management methodology has been as effective as it should be in mitigating the impact of these risks.

- The methodology for bringing forward risks identified from business plans as candidates for the CRR needs to be agreed. The work outlined above to support Heads of Service in how they use risk management methodologies and the support of the Audit Commission will inform this process.

2.6.3 The intention is to bring forward proposals to SMT to consider the arrangements for maintaining and monitoring the CRR as an active management tool and then to refresh the CRR in time to resubmit this to Audit Committee in March 2007.

3 Conclusion

- 3.1 The above section has outlined that work continues to develop risk management methodologies to ensure they provide an effective and embedded management tool which also, as a bi-product, would achieve an improved score for Use of Resources.
- 3.2 Members are requested to note the progress being made against the level three Use of Resources criteria and comment accordingly.