

REPORT FOR RESOLUTION

COMMITTEE Audit Committee
DATE: 11 March 2010
SUBJECT: Risk Management Policy and Strategy
REPORT OF: City Treasurer

PURPOSE OF REPORT

To present to Audit Committee the Risk Management Strategy and Policy that has been refreshed and updated during 2009/10.

RECOMMENDATIONS

Audit Committee are requested to formally endorse the updated and refreshed Risk Management Strategy and Policy.

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
Tom Powell	234 5273	t.powell@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. Manchester City Council's Risk Management Strategy and Policy has received annual review and refresh since 2005. This latest iteration of the Strategy and Policy explains the Council's approach to risk management and contains the main priorities for development for the current year.
- 1.2. This policy and strategy clarifies the Council's intent in further developing risk management, identifies the key component parts of the risk management system, sets out clearly the responsibilities of managers at all levels in the Council and identifies the key priorities in ensuring further development of risk management as an effective tool in delivering high quality performance and the delivery of the Corporate Objectives.
- 1.3. The Manchester City Council approach to risk management is compliant with standards laid out by the Institute of Risk Management and the Association of Local Authority Risk Managers.
- 1.4. Although ultimate responsibility for ensuring adequate risk identification, treatment and surveillance of key strategic risks lies with the Chief Executive, supported by the Strategic Management Team, managers at all levels are responsible for identifying and managing risks. This responsibility is a mainstream management requirement and represents a key component of the day to day work priorities of all managers within the Council. It is the intention of the Council to further embed the risk assessment process as a core competency for all managers.

2. Risk Management Strategy

- 2.1. Manchester is an ambitious City; the scale of its ambition is reflected in the transformation that has taken place across the city over the last decade. This ambition is not accidental; it is a result of the persistence and commitment of a vibrant and diverse population coupled with the imagination of major public and private sector organisations, led by the City Council, which sets the political vision and priorities and translates these into the work that drives change.
- 2.2. The outcomes of the City's ambition are evidenced by the many diverse transformation programmes in which the city and the Council are engaged. Many of these are laid out in the annual State of the City Report, published on the Manchester Partnership's internet page (www.manchesterpartnership.org.uk).
- 2.3. Central to the success in Manchester is realism. There is a clear acceptance that, despite many successes, there are still major challenges in terms of improving the quality of life for Manchester's residents, visitors and those who work in the City, these are, again, outlined in the State of the City Report.

- 2.4. In order to address its challenges, Manchester continues to invest in its ambition and change programme with the ultimate aim of creating a world class city, with world class economic performance, where citizens reach their full potential in education, skills attainment and employment, where all neighbourhoods attract and retain diverse and content communities and where there is mutual respect and high levels of self esteem.
- 2.5. With ambition comes risk. It is rare for positive progress to be made without innovation. Exploiting the opportunities to do things differently and taking risks is one of many things that Mancunians do well. Delivering transformational work programmes, both at a strategic level and within operational services can be a volatile process. The steps needed to affect change may bring with them significant financial risks; similarly, the intensity of effort required within a service to deliver a vital objective that improves the lives of residents may impact on their ability to provide an effective focus on other priorities. Of course, if things go seriously wrong in delivering a high profile objective there may be a serious negative impact on the reputation, not only of the Council, but the City and City Region.
- 2.6. Systematic risk management is a fundamental tool, available to managers and officers at all levels in ensuring that objectives and work streams are delivered and things change for the better for Manchester's people.
- 2.7. Risk Management is a simple, common sense process; it is an intuitive skill used by everyone in their day to day lives and one of the main ways in which people keep themselves safe and make sensible and appropriate decisions.
- 2.8. In terms of its use in the whole work environment, the Council has been working on a sustained implementation programme over the last three years.
- 2.9. Having established a firm platform over previous years, the Council is now able to roll out the principles and practice of risk management across all corporate and operational services, using a common model. The underpinning principle is that risk assessment and risk management is as appropriate to the delivery of Council's strategic objectives as it is to the work of individual staff assessing the needs of individual services users within Manchester's communities. The overall objective is to develop risk management as a core competency that is used to support operational and strategic decision making and the delivery of work priorities, both within the Council and in partnerships.
- 2.10. The Council's Strategic Management Team has endorsed this approach, confirming that risk assessment must be integrated into mainstream management practice and that attendance of risk management training is a mandatory requirement for officers at Grade 7 and above. This is reflected in Business Planning Guidance and the Manchester Standards.
- 2.11. This strategy provides a concise summary of the expectations placed on all officers. It also lays out the priorities for the further development of risk management over the coming year and is supported by detailed appendices to guide managers developing risk management programmes. Appendix 1

provides a formal statement of Manchester's policy and intent. Appendix 2 contains a detailed explanation of the roles and responsibilities of elected members, managers and officers in relation to the establishment of risk management as a core competency.

3. Components of the Risk Management Framework:

3.1. Risk management requires managers to:

- *Identify potential risks to the delivery of services, objectives, and projects and in relation to strategic and operational decision making*
- *Review and summarise existing controls already in place*
- *Produce an objective assessment of the severity of the consequences and the likelihood of the risk emerging*
- *Categorise the level of risk. The Council's categories are extreme, high, medium or low*
- *Reach an objective decision as to whether levels of existing control are acceptable*
- *Produce action plans to further mitigate the risk where necessary,*
- *Allocate managerial responsibility for delivery of the action plan*
- *Provide ongoing scrutiny of progress with risk mitigation, escalating risks in circumstances where mitigating action plans do not provide the anticipated levels of enhanced control.*
- *Review of risks on an ongoing basis to ensure they remain relevant.*

3.2. Responsibilities for delivering the risk management framework are summarised below. This matrix and Strategy includes responsibilities of partnerships. It is recognised that it is for the partnerships to determine their own approaches to managing risk, but the responsibilities outlined here are in line with the Manchester Partnership Risk Management Strategy as endorsed by The Public Service Board.

<p>This table provides a simple articulation of the main roles and responsibilities for different groups and individuals in implementing the Council's approach to risk management.</p> <p>Boxes marked "L" indicate a lead responsibility Boxes marked "S" indicate support to delivery.</p>	Chief Executive and Strategic Management Team	SMT Use of Resources and Governance Sub Group	Corporate Risk Management Team	Heads of Service	Divisional Management Teams	Service Management Teams	Service Heads and Team Leaders	Partnerships	Public Service Board	Partnership Management Group	Thematic Partnerships	Project Management	Senior Responsible Officers	Project Managers	Elected Members
Attend mandatory risk management training	L	L	S	L	L	L	L		S	L	L		L	L	L
Set strategic risk management priorities and ensure annual refresh and update of risk management strategy and policy	L	S	S						L	S	S				
Identify risks to be captured within Corporate Risk Register (CRR) on both a formal, annual and ongoing basis	L	S	S	S											
Provide quarterly scrutiny and update of the CRR/Strategic Partnership Risk Register	L	S	S						L	L	S				
Receive assurance and provide challenge regarding effective management of strategic risks	L	S	S						L	S	S				
Provide quarterly reports on management of the CRR		L	S												
Alert SMT when risks are escalating in severity		L	S												
Recommend further mitigating actions for strategic risks when required		L	S	L	L										

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Act as champions for risk management in operational services		L	S	L	L		L								
Ensure risk assessment of all Business Plan objectives			S	L											
Ensure monthly review and update of service risk register				L	S										
Allocate lead managers to ensure the effective mitigation of risks.	S			S	L	S									
Ensure all risks are reviewed within performance management meetings				L	S										
Alert strategic directors when service risks are escalating in severity		S		L											
Provide monthly scrutiny of risks within Business Plans and report on progress to DMT					S	L									
Provide reports to Corporate Performance Team that include progress with risk mitigation						S	L								

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Alert Heads of Service to newly emerging risks to the delivery of service objectives						L	L								
Undertake Departmental risk assessments and develop mitigating action plans			S				L								
Identify risks to be captured within Strategic Partnership Risk Register on both a formal, annual and ongoing basis			S						L		S				
Ensure partnership objectives are fully risk assessed and risks communicated to PSB											L				
Review and update risk registers at all Thematic Partnership meetings			S								L				
Ensure that projects only progress through the gateway process when there is evidence of comprehensive risk assessment			S										L	S	
Ensure project implementation is supported by comprehensive risk assessment			S											L	

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Ensure review of risk registers at all Project Management meetings			S										L	L	
Inform Senior Responsible Officer when levels of risk are escalating			S											L	
Track progress with risk management through scrutiny of Business Plans			S												L
Provide formal scrutiny of risk management arrangements and progress through Audit Committee			S												L

NB A more detailed text explanation of roles and responsibilities is attached as Appendix 2.

4. Next Steps: Priorities in Developing Risk Management:

- 4.1. The acknowledged priority for the risk management programme over the coming year is to support the embedding of risk management as a core managerial competency across all corporate and operational services. This reflects the views of External Audit and, whilst our auditors have expressed satisfaction with the approach taken within the Council so far, we wish to set ambitious work programmes to develop the risk management programme beyond the expectations of External Auditors.
- 4.2. Our ambitions are deliverable as a result of work undertaken in the last four years to build a sound strategic platform for risk management and a structure that allows enhanced participation for all services. Strategic priorities for 2009/10 and beyond are:
- Corporate Risk Managers to provide named officer support to Heads of Service and to support SMT and SMT Sub Group in discharging their responsibilities.
 - Further embed updated methodology for capturing and presenting risks on Corporate Risk Register and re-evaluate approaches to scrutiny and update. The latest version of the Corporate Risk Register
 - Ensure full integration of risk and insurance team into the Internal Audit and Risk Management Business Unit.
 - Ensure detailed work programmes for risk management are captured within the Internal Audit and Risk Management Business Plan 2009/2012
 - Further expand the Integrated Risk Management training provided for officers at Grade 7 and above.
 - Explore potential for developing additional approaches to training delivery and produce a fully costed implementation plan.
 - Provide customised training for Executive Members and Strategic Directors.
 - Ensure regular review of training programmes and amendment as and when required.
- 4.3. The latest version of the Corporate Risk Register is being considered by the Council Strategic Management Team on 8 March and to ensure the latest version is presented to Members a copy of the register, following this formal refresh and approval, will be provided at the meeting.

Appendix 1: Risk Management Policy Statement

Manchester City Council recognises the importance of anticipating and seeking to manage circumstances which could cause death or injury, disrupt services to the public, treat individuals, businesses and organisations unfairly or circumstances which could lead to significant financial loss to the Council or reflect badly on the City, the Council, its partners and employees.

Effective risk management is an integral part of robust performance management within the Council, as effectively managing identified risks and mitigating their potential negative impact helps to ensure the effective delivery of key work streams, developed to deliver the Council's priorities and objectives.

In order to manage its risks the Council has adopted a unified approach to risk management to be used across all services.

The Council acknowledges that risks occur in the day to day delivery of services, in seeking to press forward with individual projects and initiatives and in relation to any important decisions facing the Council and its key partners. The Council should do what is reasonable to prevent or minimise the impact of these risks.

It is acknowledged that service delivery within a complex environment is a volatile process and not all risks that emerge can be predicted. The rationale behind the risk management process is that the predictable risks are identified and managed, allowing the greatest level of control possible to be put in place. In this sense the risk management process allows managers to free up capacity to deal with the unanticipated risks as they emerge.

With the responsibilities laid out above in mind, the Council will:

- Identify and effectively manage risks which could jeopardise the achievement of the Council's objectives and the delivery of services.
- Develop arrangements to manage risks jointly with delivery partners.
- Provide managers with the necessary training and support to identify, assess and manage risks effectively.
- Provide an integrated methodology that enables officers to use the same approach regardless of the type of risk assessment they are undertaking.
- Keep its risk management arrangements under ongoing review to ensure the Council is doing all that can reasonably be expected.

APPENDIX 2: Key Responsibilities within the Council's Risk Management System:

Effective Risk Management is an essential component of corporate governance and assists in providing assurance that strategic and operational objectives are delivered within an approach that provides maximum efficiency and value for money. Robust organisation wide risk management is dependent on the risk assessment process being used at a series of levels throughout the Council. Key responsibilities are outlined below.

Chief Executive and Strategic Management Team:

The Chief Executive, supported by SMT, will ensure that:

- The Council develops and delivers effective strategies and work programmes to deliver risk management.
- Potential risks to the delivery of the Corporate Objectives, laid out within the Corporate Plan are identified on an ongoing basis and captured within the Corporate Risk Register
- They receive quarterly reports from the SMT Use of Resources and Governance Sub Group (SMT Sub Group) on current risk status and progress with mitigating action plans.
- They scrutinise and challenge assurance, provided by the SMT Sub Group that risks identified remain controlled, that they remain the key strategic risks to the organisation and, where additional strategic risks emerge, these are added to the Corporate Risk Register and are assessed, monitored and mitigated.

Strategic Directors will also make decisions with their Heads of Service as to which risks emerging from service Business Planning may warrant inclusion on the Corporate Risk Register.

SMT Use of Resources and Governance Sub Group:

It is the responsibility of the SMT Sub Group to assist SMT in discharging their responsibility for managing the Corporate Risk Register. The Sub Group will provide a quarterly report to SMT on the current status of the risks contained within the Corporate Risk Register, this report will

- Provide assurance to SMT that the corporate risks are being actively managed
- Alert SMT when the level of control of risks is viewed to be inadequate
- When necessary, recommend further mitigating actions required in order to increase the degree of control
- Recommend the removal of risks from the register when they no longer threaten the delivery of the Corporate Objectives
- Identify newly emerging risks that may warrant inclusion on the Corporate Risk Register.

The Sub Group will determine what information needs to be escalated to SMT, formally, on a quarterly basis.

Scrutiny of risks across the Council may, on occasions identify risks that are of significant strategic importance that are emerging despite attempts to mitigate them. In these circumstances, SMT Sub Group will escalate the risk immediately to SMT as a matter of urgency.

Sub Group members will act as risk champions within their directorates, holding managers to account for the delivery of mitigating actions and acting as a point of contact within Divisional Management Teams.

Heads of Service:

Heads of Service are responsible for ensuring that:

- * Effective risk assessment and risk management underpins the development and delivery of all service objectives
- * Risks to delivery are captured within a service risk register
- * The service register is regularly scrutinized, amended and updated.
- * Lead managers are allocated for the delivery of mitigating action plans

Heads of Service will also ensure that risks receive review on a monthly basis at Divisional Management Team meetings and lead managers will provide exception reports that highlight

- Risks that have been mitigated to a point where they no longer provide a threat to delivery of the service objectives,
- Risks that are rising in their level of severity,
- Circumstances where managers have been unable to implement the agreed mitigating actions
- Circumstances where the mitigating action plan is being implemented but is having no material impact on the level of risk.

Heads of Service will ensure that **all** risks are reviewed at quarterly performance reporting meetings and that the minutes of both DMT and quarterly performance meetings record the discussions and decision making for audit purposes.

Heads of Service will ensure all lead managers report immediately when risks have emerged to a point where they affect the ability of the service to deliver its objectives.

Heads of Service will ensure that additional risks are added to the register and are risk assessed and treated as and when they emerge.

In circumstances where risk review indicates that mitigating action plans are not delivering risk control, the Head of Service will inform the relevant Strategic Director.

Heads of Service will ensure their services actively embrace the risk management process and officers at Grade 7 and above undertake the integrated risk assessment training provided within the Council.

Service Management Teams:

Service Management Teams are required to undertake monthly performance scrutiny of Business Plans, including risk assessments. Managers with lead responsibility for the implementation of identified risk action plans are required to report on progress with risk mitigation.

Monthly reports will be provided to the Corporate Risk and Performance Teams on progress with risk mitigation; these reports will be used to compile a composite report for consideration by the SMT Governance Sub Group.

It is the responsibility of the Service Management Team to alert the Head of Service of any newly emerging risks to the delivery of the service's objectives.

Service Heads and Team Leaders:

It is the responsibility of departmental service heads to ensure all officers at Grade 7 and above attend the Integrated Risk Assessment training provided within the Council.

It is also the responsibility of departmental service heads to undertake risk assessments of work programmes at a departmental level and to use the risk assessment process to support decision making.

The annual process of appraisal and objective setting supports the development of service work programmes and it is the responsibility of all team leaders to ensure that a full assessment of risks to the delivery of key work programmes is undertaken.

It is also the responsibility of team leaders to inform their Head of Service of any risks that are deemed to either be inadequately controlled or beyond the scope of the service to manage.

In circumstances where the level of control is viewed to be inadequate, Team leaders will ensure that an action plan is produced to assert further controls. This will be communicated to the Head of Service who will consider whether the risk needs to be included on the Service Management Team risk register.

Risk Management in Partnerships:

It is the responsibility of the Public Service Board (PSB) to construct and manage a Strategic Risk Register and to determine the content of a Partnership Risk Management Strategy and Policy, updated annually.

The Partnership Management Group is responsible for supporting PSB by ensuring that the strategic risk register is fully reviewed on a quarterly basis as a minimum standard. They are also responsible for ensuring that PSB are alerted when captured risks are escalating in severity and of the emergence of newly identified risks that may be candidates for inclusion on the Partnership risk register.

It is the responsibility for lead officers within Thematic Partnerships to ensure that objectives and priorities are risk assessed and, when appropriate high level risks are escalated to PSB for consideration and, where necessary, the establishment of additional mitigating controls.

Partnership activity engages the Council and Partners in periods of significant change. In light of the volatility associated with change, it is the responsibility of all officers in Thematic Partnerships to ensure that risk assessments are reviewed on a monthly basis as a minimum standard.

Project Management

Project Management within the Council is underpinned by the “Manchester Method”. The same approach to project management is taken for major work programmes, for example, service improvement projects or capital programmes, and smaller, service specific projects.

It is the responsibility of all Project Managers to ensure project implementation is supported by comprehensive risk assessment and mitigation.

It is the responsibility of the Senior Responsible Officer (SRO) to ensure that projects are only progressed to the implementation phase when a full risk assessment is in place. It is also their responsibility to receive assurance that ongoing scrutiny of risk is built into the project management process.

It is the responsibility of the SRO to ensure that all Project Managers undertake Integrated Risk Management training provided within the Council.

Project managers will manage a project risk register and scrutiny of the register will be undertaken within all project management meetings.

It is the responsibility of the Project Manager to inform the SRO of all circumstances where the level of control is deemed inadequate and of circumstances in which the mitigating action plan is failing to deliver the anticipated level of control.

Elected Members:

The Lead Executive Member for Risk Management will champion the risk management programme and provide liaison between the Executive, Audit Committee, Resource and Governance Overview and Scrutiny Committee, Strategic Management Team and the SMT Governance Sub Group.

It is the responsibility of Executive Members to track progress with risk assessment and risk management through scrutiny of progress within the Business Planning process.

Formal scrutiny of progress of risk management is provided by Audit Committee as per its Terms of Reference. It is the responsibility of the Committee members to receive and critically appraise progress reporting.

Elected members have a key role in providing overview and scrutiny of the effectiveness of the Council's approach to risk management and have a responsibility to assure themselves that risk assessments supporting the delivery of the Council's objectives are effective and robust. Risk Management arrangements will receive regular scrutiny through the Resource and Governance Overview and Scrutiny Committee.

It is the responsibility of elected members engaged in the scrutiny of either the strategic approach to risk management or the delivery of mitigating actions against identified risks to receive the Integrated Risk Management training provided to support them in discharging their responsibilities.