

MANCHESTER CITY COUNCIL
REPORT FOR INFORMATION / RESOLUTION

COMMITTEE **Audit Committee**

DATE: 18 January 2008

SUBJECT: **Risk Management**

REPORT OF: **The City Treasurer**

PURPOSE OF REPORT

To inform members about progress in developing risk management methodologies.

RECOMMENDATIONS

Members are requested to note the progress being made on developing risk management methodologies which are informed by the Business Planning process and the intention to bring back to the meeting in March the results of the current ongoing analysis of strategic risks identified in Business Plans.

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 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 Members will be aware that at the last meeting of Audit Committee, held on 28 September 2007, a report on further developments within risk management was considered. That report reviewed progress made and presented to members the newly refreshed Corporate Risk Register and the updated Risk Management Strategy and Policy.
- 1.2 This report provides a further update for Audit Committee on progress being made in developing risk management.

2. Identification of New Strategic Risks

- 2.1 In presenting the Corporate Risk Register, the report brought to the attention of members the fact that a review of corporate risks by the Corporate Support Team and the Strategic Management Team had highlighted three potential new risks for inclusion on the Corporate Risk Register. These new risks are attached as Appendix One.

3. Development of Business Plans and the Corporate Risk Register

- 3.1 The report presented to the last meeting of the Audit Committee also highlighted the importance of the new Business Planning framework in supporting the process of strategic and operational risk identification, assessment and mitigation.
- 3.2 Heads of Service are currently in the process of developing Business Plans for the coming year. This is the second round of Business Planning using the new processes and second draft plans are currently being received from Heads of Service for finalisation as part of the budget setting process.
- 3.3 The business planning methodology was revised for the 2008/10 plans in the light of the experience of producing last years plans. In particular, the risk management element was split into two parts.
- 3.4 Firstly, Heads of Service were asked to outline the strategic risks to their service. These risks are both informed by the risks outlined in the Corporate Risk Register and in turn provide a valuable assessment of issues which Strategic Directors can use to consider when reviewing and updating the Corporate Risk Register. Secondly, the Business Plans contain detailed operational risk registers which outline the risks to the achievement of specific service level objectives contained within the business plans and demonstrate that risk management is embedded within operational planning.
- 3.5 Following the provision of additional guidance and workshops for managers, the overall quality of the assessment process is improving. This years assessments represent a much more comprehensive and authoritative assessment of risk to enable Strategic Directors to consider issues raised in relation to the Corporate Risk Register. This is encouraging and in line with the strategic approach adopted in 2007, which acknowledged the iterative

nature of the development of the new methodology and anticipated that the Business Planning process would probably need to go through three annual rounds before there could be confidence that all plans are developed to the same overall standard, using one Council-wide approach.

- 3.6 However, whilst many plans contain very focussed and clearly articulated strategic risks the position is not universally consistent, An initial analysis of Business Plan risk assessments has focused on cross referencing the risks identified within the plans to the risks on the Corporate Risk Register and then to consider whether there was a need for further mitigation for risks that had already been identified at a Strategic Management Team level. Secondly whether or not any additional matters have emerged which require consideration by SMT.
- 3.7 This initial analysis of the strategic risk to service delivery in Business Plans has been undertaken based on the second draft business plans so far received. The following points can be made:-
- Of the 188 risks so far identified 96 relate to issues already identified and captured on the Corporate Risk Register. SMT will need to consider in February whether or not these assessment require modification to the risk scoring in the Corporate Risk Register or if any further controls are required to mitigate those risks.
 - 53 risks which are strategic in relation to the service in question are viewed as being primarily operational in focus requiring management at a service rather than an SMT.
 - A further 39 risks need further consideration. In many of these cases risks currently described are too cryptic to present a clear view of the service's concern or do not clearly identify the root cause of the risk. Work will be required to clarify these risk and then for individual Strategic Directors to consider whether or not any issues represent further candidates for the Corporate Risk Register.
- 3.7 It is anticipated that this work will be completed by the end of February allowing a further report to be brought back to the March meeting of the Audit Committee.

4 Risks Relating to Partnerships

- 4.1 Members will recall that particular thought needs to be given to the development of risk management within partnership working.
- 4.2 Manchester Partnership Team have engaged directly with the corporate risk management team in developing a first draft partnership risk register. The partnership team had committed to making this document available by the beginning of December 2007 and this milestone was met. The draft risk register currently contains 18 risks that either provide a partnership focus on risks already captured within the Corporate Risk Register or capture new risks specific to the development and governance of partnerships and the delivery of key objectives.

- 4.3 The draft partnership risk register was presented to the Public Service Board (PSB) on 18 December 2007. The intention was to explain to PSB how the risks were generated and to gain agreement that the register should be discussed in detail and further shaped at a future meeting. PSB will consider the register in detail at its meeting on 29 January 2008 and to agree further amendments necessary for the register to be endorsed. PSB also agreed that the register will then be formally scrutinised on a quarterly basis to ensure the register is regularly updated with members providing progress reports on actions to mitigate the risks. PSB will also ensure that risks that have been effectively mitigated are removed from the register and newly emerging risks are captured.
- 4.4 The generation of a Partnership Risk Register is a first step in developing an underpinning risk framework as part of the overall governance framework for partnership working. Further input will be provided by the corporate risk management team in developing a partnership risk management strategy and policy.

5 Conclusion

- 5.1 The above section has outlined that work continues to develop risk management methodologies to ensure they provide an effective and embedded management tool. The business planning methodologies are seeing improved risk assessments within business plans and this years' assessments represent a much more comprehensive and authoritative assessment to enable Strategic Directors to consider issues raised in relation to the Corporate Risk Register
- 5.2 Work to analyse the risk in business plans and consider them in refreshing the Corporate Risk Register will be completed in February and the result will be brought back to the Audit Committee meeting in March 2008. Members are requested to note the progress which has been made

Appendix One

Newly Generated Strategic Risks for Possible Inclusion on Corporate Risk Register

Corporate Risk Register

Corporate Risk Register					
Risk Number	Failure to develop an effective Governance Framework with the Manchester Partnership affects it's ability to deliver optimum outcomes and leaves the Council and partners open to external challenge in relation to the delivery of outcomes agreed through the LAA.			<u>OWNER</u> Steve Mycio	
Trigger Events	Scrutiny by Audit Commission suggests that CPA/CAA Use of resources scores are challenged by failure to deliver effective governance of partnerships.	Risk Rating	Likelihood		
	PSB and/or Five Thematic Partnerships are made aware of risk to the delivery of major workstreams. Governance framework for partnerships either fails to emerge or is not endorsed by PSB/Manchester Board/Executive. Objectives within Performance work programme for partnerships either slip or do not deliver intended outcomes.	Consequence	H	M	L
			H	X	
			M		
			L		
Likelihood – It is recognised that governance within partnerships requires further development. Further work to strengthen governance is planned, however, if further work is not undertaken the likelihood is high		Consequence – Delivery of effective partnership working is crucial to the delivery of objectives within the Community Strategy.			
Existing Controls	<p>Governance in partnerships is being actively addressed through joint working between PSB/SMT.</p> <p>Performance work programme set for the next six months, in part this will lead to an effective definition of what a good governance framework should include, an assessment of compliance and action planning for delivery of an emerging framework within significant partnerships.</p> <p>As part of the above process, new governance framework for partnerships is being developed and tested.</p> <p>Standards Board actively engaged in developing the governance framework and will set high level objectives.</p> <p>Governance Working Group in place; it leads on development of governance within both the Council and partnerships.</p> <p>Governance of Partnerships proposed as a key workstream within a 3 year improvement plan for partnership working as part of the new LAA.</p>				
Additional Actions Required?	Ensure delivery of Governance workstreams within the 3 year improvement plan for partnership working within the new LAA.				

Corporate Risk Register

Risk Number	Failure to deliver agreed efficiencies and transformation programmes within Adult Social Care		OWNER Caroline Marsh		
Trigger Events	<p>Programme and Project plans show slippage against agreed timescale and targets. Efficiencies are not achieved.</p> <p>Performance deteriorates according to internal and external measures. ASC distracted by transformation work and takes its “eye off the ball” with regard to the most vulnerable.</p> <p>ASC is unable to transform its culture and develop the skills it needs.</p> <p>The cost of transformation may be too high (both in terms of cash and time) or the Council will be unable or unwilling to invest what is required risking failure or diminished outcomes.</p> <p>Government may decide to scale back its commitment to self-directed support.</p>	Risk Rating	Likelihood		
		Consequence	H	M	L
			H	X	
			M		
L					
		<p>Likelihood – Medium</p> <p>There is good evidence that to date, Programme arrangements have succeeded in delivering required outcomes to specification and on time, however the delivery environment remains complex and multi-factorial, therefore some uncertainty remains regarding programme delivery.</p> <p>Consequence – High</p> <p>Project failure will result in the inability of the City Council to discharge its statutory obligations in respect of adult social care. “No change” is not an option within the current demographic dimension.</p>			
Existing Controls	<p>Robust Programme and Project Management arrangements together with governance arrangements ensure that outcomes are monitored and, exceptions reported, and compensatory action taken.</p> <p>“Business as usual” will be integrated alongside Programme activity rather than separate to it so that Senior Managers will continue maximum direct contact with current operational services.</p> <p>Comprehensive communications, change management, and workforce development plans deployed to ensure required cultural and workforce shifts.</p> <p>Development of a clear Business Case will enable the Council to determine the level of investment required, and commit this up front on the basis of proven deliverables (e.g. cost efficiencies).</p> <p>ASC invests significantly in maintaining communications with government on its intentions in this respect.</p>				
Additional Actions Required?	<p>Risk owner to consider on an ongoing basis whether additional actions are required to manage risk.</p>				

Corporate Risk Register January 2008

Corporate Risk Register January 2008																									
Risk Number	<p style="color: blue; margin: 0;">Finance available to address backlog maintenance in relation to operational building and, in particular, the Town Hall complex is insufficient to maintain the fabric of the buildings.</p> <p style="text-align: right; margin: 0;"><u>OWNER</u> Richard Paver</p>																								
Trigger Events	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Failure within electrical systems.</p> <p>Significant Fire or flood experienced within key buildings.</p> <p>Public or press criticism of the state/appearance of buildings.</p> <p>Infrastructure failures (eg winter heating failure) result in closure of buildings.</p> <p>Loss of stored documents/equipment due to damp or flooding.</p> </td> <td style="width: 50%; vertical-align: top;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Risk Rating</td> <td colspan="4" style="text-align: center;">Likelihood</td> </tr> <tr> <td rowspan="4" style="text-align: center; vertical-align: middle;">Consequence</td> <td style="text-align: center;">H</td> <td style="text-align: center;">M</td> <td style="text-align: center;">L</td> <td></td> </tr> <tr> <td style="text-align: center;">H</td> <td style="text-align: center;">X</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">M</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">L</td> <td></td> <td></td> <td></td> </tr> </table> </td> </tr> </table> <div style="background-color: red; color: black; padding: 5px; margin-top: 5px;"> <p>Likelihood – Medium *</p> <p>In some buildings electrical and heating systems are reaching the end of their anticipated life and a planned programme for replacing these systems is required to prevent their failure.</p> <p>A planned programme and funding have been agreed to complete all Health & Safety and Statutory works to mitigate risks.</p> <p>* Although the current assessment is medium should no action be taken this would become High</p> <p>Consequence – High</p> <p>Major unforeseen damage to or deterioration of buildings used to deliver Council services would carry significant financial costs, to be met at short notice and may impact on the Council's reputation</p> </div>	<p>Failure within electrical systems.</p> <p>Significant Fire or flood experienced within key buildings.</p> <p>Public or press criticism of the state/appearance of buildings.</p> <p>Infrastructure failures (eg winter heating failure) result in closure of buildings.</p> <p>Loss of stored documents/equipment due to damp or flooding.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Risk Rating</td> <td colspan="4" style="text-align: center;">Likelihood</td> </tr> <tr> <td rowspan="4" style="text-align: center; vertical-align: middle;">Consequence</td> <td style="text-align: center;">H</td> <td style="text-align: center;">M</td> <td style="text-align: center;">L</td> <td></td> </tr> <tr> <td style="text-align: center;">H</td> <td style="text-align: center;">X</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">M</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">L</td> <td></td> <td></td> <td></td> </tr> </table>	Risk Rating	Likelihood				Consequence	H	M	L		H	X			M				L			
<p>Failure within electrical systems.</p> <p>Significant Fire or flood experienced within key buildings.</p> <p>Public or press criticism of the state/appearance of buildings.</p> <p>Infrastructure failures (eg winter heating failure) result in closure of buildings.</p> <p>Loss of stored documents/equipment due to damp or flooding.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Risk Rating</td> <td colspan="4" style="text-align: center;">Likelihood</td> </tr> <tr> <td rowspan="4" style="text-align: center; vertical-align: middle;">Consequence</td> <td style="text-align: center;">H</td> <td style="text-align: center;">M</td> <td style="text-align: center;">L</td> <td></td> </tr> <tr> <td style="text-align: center;">H</td> <td style="text-align: center;">X</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">M</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">L</td> <td></td> <td></td> <td></td> </tr> </table>	Risk Rating	Likelihood				Consequence	H		M	L		H	X			M				L				
Risk Rating	Likelihood																								
Consequence	H	M	L																						
	H	X																							
	M																								
	L																								
Existing Controls	<p>An Asset Management Capital Programme has been put in place to address backlog maintenance with a substantial amount of funding. Condition Surveys have been completed for operational buildings, which have formed the basis for a planned programme of repairs. All operational buildings will have Health & Safety, Statutory works and repairs completed to ensure that they are suitable for the delivery of services and meet statutory or contract obligations. Progress on backlog maintenance is reported to the AMP Board, the Capital Asset Management Steering Group, and Scrutiny and as part of the corporate Use of Resource Audit. Business continuity plans are in place across the Council to ensure that services continue to be delivered as a consequence of unforeseen disruption.</p>																								
Additional Actions Required?	<p>Dilapidation Surveys have now been procured for high profile operational buildings do support ongoing planned maintenance and whole life cycle replacement works.</p>																								