Executive	**9 October 2007**

Report of the Assistant Director Audit and Risk Management

Corporate Risk Management Report 2007/08

Summary

1   This report provides information on the key risks identified through deployment of the risk management strategy and details progress made in embedding risk management arrangements across the Council. The report provides information on;

    a   the key strategic risks identified in the corporate risk register;

    b   the embedding of risk management across the Council

Background

2   Risk management is a business discipline that public and private sector organisations use to better manage potential opportunities and threats to the achievement of corporate objectives. Risk management forms a key part of the Council's corporate governance arrangements, strategic management and performance management process.

3   Effective risk management should act as an enabler – supporting well-informed decision making and facilitating sustainable improvements in service delivery. It is fundamental to good management practice and should not be viewed as a separate discipline or token paper exercise to be carried out in isolation.

4   At its most basic level effective risk management is simply a thought process and only when a major threat is identified do we need to take a systematic approach to managing it. To that end, risk management disciplines serve to protect the organisation: its assets, people and reputation. The use of rigorous risk management disciplines can help managers to minimise the risk of something adverse happening that may in turn jeopardise the organisation's ability to achieve its objectives - as opposed to stopping the organisation from achieving its ambitions. Understanding risk can help to create opportunity, rather than prevent us from doing things, in so far as thinking through the way in which problems might be best resolved of managed can lead to more

innovative and better ways of working. Risk management asks that when we manage we consider risk and that we do so in a disciplined way that better protects the interests and the assets of the Council.

5   A simple way of thinking about risk is in terms of the formulae **R = P x I** Where **R** is the risk, **P** the probability of something happening and **I** the impact should it occur.

Key Corporate Risks

6   The Council has been actively developing and deploying effective risk management arrangements across the organisation since 2002. The introduction of risk consideration into service planning and more recently the implementation of a web based risk register (Magique) has resulted in the compilation of a comprehensive and robust corporate risk register. The register includes details of approximately 450 risks across all directorates stratified according to whether they are regarded as corporate, strategic, operational or project. Annex C to this report provides a summary of the number and level of risks in these categories. The register can be accessed through the Council intranet on the following link (Please contact the Risk Management Section for a password to access the system) http://webapp001/Galileo/default.aspx?ReturnUrl=%2fGalileo%2fHome%2fGalileo.aspx

7   The Turnbull Report (1999), which established the basis for risk management in both the public and private sector, recommends that the corporate management team should be informed by and focussed on the effective management of its corporate risks or jeopardies. Turnbull further suggests that recommended best practice would have in the order of anything up to 15 key corporate risks. This is not to say that an organisation will not have more than 15 risks across the complexity of all its services but that other risks may be better thought through and managed at the appropriate level e.g. Directorate, Programme and Project risks.

8   In the spirit of the Turnbull report a strategic visioning session was undertaken with Council Management Team (CMT) in November 2006 to identify what the directors believed to be the key corporate risks facing the organisation. This list was reviewed at Corporate Leadership group (CLG) on 14 September 2007 with a view to:

- updating the risks
- validating the risks through discussion with a wider audience
- allocating ownership
- providing a view on the level of risk

9   The criteria used in both sessions to identify a corporate risk included:

- to what extent it would have an impact on the organisation as a whole
- its impact should it transpire would be severe i.e. failure to deliver critical service, crippling financial loss, loss of life
- it must be in our control or influence (Whilst we want to be in control of risks facing us we can only manage what we are able to directly influence i.e. we are not able to control the climatic conditions giving rise to flooding but are able to influence and control the impact of the flood itself)
- there must be at least some likelihood that the risk will occur and its combined probability and impact score (R=PXI) must be high

10   These discussions led to a high degree of consensus amongst participating senior officers of key corporate risks.   These risks are fully described at Annex A (including there impact and ownership) and are shown below in order of gross (Excluding full consideration of all controls) ranking (Highest risk first):

:

i   job evaluation

ii   failure to improve CPA score in January 2008

iii   unsuccessful delivery or outcome of accommodation review

iv   failure of waste management strategy

v   budget gap

vi   failure to deliver transformational government

vii   failure to address business continuity

viii   partnerships – regulation & governance

ix   failure to deliver Council strategy

x   failure of strategic procurement programme

xi   failure of LAA

11   Executive Members are asked to consider the risks set out at Annex A and Paragraph 10 above and form a view as to whether they wish to amend or add any further risks. In addition to the risks set out at Annex A senior officers have suggested further risks on which the organisation may wish to focus. These are set out at Annex B including two existing risks that were not considered to meet the criteria of key corporate risks defined at paragraph 9. Executive Members may also wish to consider these risks when coming to their decision.

12   Many of the risks identified are formally managed already through established risk management processes e.g. Job Evaluation and Admin Accommodation projects where well developed risk registers that include controls and actions are regularly reviewed by the relevant project board. This process is now maturing across the organisation and has been influential in ensuring the successful outcome of key projects such as phase 1 of easy@york for example

13   The monitoring and reporting arrangements for risk management have been developed and strengthened across the organisation. Audit & Governance Committee who are constitutionally responsible for risk management review as those ' those Members charged with Governance at City of York Council' now receive bi-annual up date reports on progress. CMT have more recently asked for quarterly monitoring reports on the key corporate risks set out in this paper.   .

Progress & achievements

14   Effective risk management continues to make a significant contribution to the Council's financial position. The ongoing success of managing insurance claims in the Public Liability area (Predominantly highway slips and trips) saw £300K been saved on the cost of insurance claims at the end of the 2006/07 financial year.

15   The large increase in the number of risks registered by officers is a clear indication of the growing use of risk management as a key component of good management. The 450 risks do not reside in the system as single line entries but can be effectively and efficiently managed by use of action planning tools and real time monitoring. As use of the risk management tool grows services are able to ensure they become more robust and resilient (by understanding and managing their risks) allowing them to take advantage of opportunities through managed risk taking.

16   The use of the Council's risk register (Magique) in managing the risks associated with major projects continues to increase take up and use across the organisation. Those projects and programmes currently using the system include:

- replacement FMS project

- Administration & Accommodation review project

- easy@york

- job evaluation

- waste PFI

- Supplier Contract Management System (SCMS) project

17   In advance of next years full CPA inspection and its replacement Comprehensive Area Assessment (CAA) the Councils Key Partnerships continue to be reviewed to identify any major risks these include:

- Science City York

- Without Walls (LSP)

- York Central Steering Board

18   The effective management of high level strategic risks across the organisation has result in risks being reduced or effectively removed from the risk register at a strategic level these include:

- failure to achieve capital receipts

- effective management of the 2007 election progress

- failure of the Social Care review

- failure of the corporate IT system (CITRIX)

- delivery of Phase 1 of easy@york

19   Work has been undertaken during the year to review and up date the risk management web page on the Council's intranet. The new look site which can be accessed at http://intranet.york.gov.uk/documents/public/resourcespage/RiskManagement.htm provides practical guidance and support to Member's and Officers including a new draft risk management policy, which sets out York's approach to managing risk across the organisation. The draft policy will be reported for Member approval shortly.

Embedding Risk Management

20   The embedding of risk management across the Council is not a simple or quick process, as it requires winning 'hearts and minds' to support real cultural change. However, it is pleasing to note that an increasing number of services are taking a more rigorous and formal approach to identifying risk in their processes. This has been helped by the inclusion of risk consideration into committee papers and service planning requirements, which have acted as catalysts in further raising awareness. Nonetheless there is still a long way to go to ensure that

the process becomes fully embedded across the whole organisation as part of the management culture.

21   One of the key building blocks to embedding risk management into the culture and processes of the organisation is ensuring that officers and Members have a good understanding of the subject and their role in the process. To this end work has been ongoing to develop and deliver key training events for staff and Members over the last two years latterly this has included support by external providers (Marsh).

22   The events were well received (98% satisfied or more than satisfied) and 27 officers have come forward to request further training. Other training work is now being included as part of a wider corporate training programme to be rolled out over the remainder of 2007/08 to support the training needs of staff in departments.

Risk Management Action Plan

23   Last years annual risk management report provided information on the risk management development agenda. An updated action plan for 2007/08 was considered by Audit and Governance Committee on 24 September 2007 and subsequently publicised on the risk management website.

24   This plan sets out the development work needed to manage the challenges to the service in deploying risk management across the organisation both now and in the future including:

- Member and Officer engagement in the risk management process and the risk register as a management tool

- the quality and credibility of risks submitted for entry into the register

- fully populating the software ensuring consistency of data and the linking of risks to corporate and directorate objectives/priorities

- fully developed action planning

- clarity around the categories used to report risk

- how risk is reported including the format of reports, frequency of reports and to whom is reported;

- training needs;

- risk based auditing;

- evidencing the added value of embedded risk management.

- formal consideration of opportunity

Options/Analysis

25   Not applicable.

Corporate Priorities

26   Risk management relates directly to the Council's priority to *'improve leadership at all levels to provide clear, consistent direction to the organisation'* clear and consistent leadership and direction requires a thorough understanding of all the risks and challenges to the organisation. As risk management should be integrated into all the Council's processes and routines it should help contribute to the effective delivery of all 13 corporate priorities.

Implications

27   There are no financial, legal, HR, crime and disorder, equalities, ITT, property or other implications arising from this report.

Risk Management

28   In compliance with the Council's Risk Management strategy. There are no risks associated with the recommendations of this report

Recommendations

29   The Executive are asked to:

a)   note the contents of this report and progress to date;

<u>Reason</u>

To raise awareness of the progress made to date in respect of risk management arrangements at the Council and advise Members of the further work now needed to support the effective development of the Council's approach in the future.

b)   consider the key corporate risks set out in Annex A and additional risks set out at Annex B identified by senior officers and any necessary amendments.

<u>Reason</u>

To ensure Executive Member validation of the key strategic risks identified by senior officers.

c)   approve the list of key corporate risks subject to discussion at b) above

Reason

To provide a clear corporate focus with regards to the Council's key strategic risks and jeopdardies.

d)   note the new arrangements at CMT and Audit & Governance to ensure regular monitoring and review of key corporate risks as improving, developing and strengthening overall governance arrangements at the Council

Reason

To make Executive Members aware of the management and monitoring arrangement for risk management at the Council..

Contact Details

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Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable   **All**

For further information please contact the author of the report

Background Papers

Risk Register 2006/07
Executive Corporate Risk Risk Management Report 2006/07

Annexes

Annex A   Key Corporate Risks

Annex B   Deleted and suggested risks from CLG

Annex C   Summary of Corporate Risk Register