

Audit & Corporate Governance Committee Report

Report of Head of HR, IT & Customer Services

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To: AUDIT & CORPORATE GOVERNANCE COMMITTEE

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AGENDA ITEM NO 5

Risk management update

Recommendations

That Audit and Corporate Governance committee notes the contents of this report and comments on the management of our operational and strategic risks.

Purpose of Report

1. The purpose of this report is to provide committee with an update on our arrangements and the opportunity to comment on the management of our operational and strategic risks.

Relationship with corporate plan

2. Our risk management arrangements underpin all strategic objectives.

Background

3. Following management team's decision to rationalise South and Vale's approach to risk management, we produced a joint risk management strategy and presented it to this committee and Cabinet for approval. The strategy requires us to present regular reports to this committee on how we are managing our strategic and operational risks.
4. We produced a reporting timetable and brought it to this committee in September. The reason for the timetable was that this committee is responsible for corporate risk management and we wanted to ensure that our reporting arrangements were adequate for you to monitor the effectiveness of our risk management approach.

Progress to date

5. Management team asked South's business improvement manager to harmonise the approach to risk management between South and Vale. To assist in this, the business improvement manager successfully recruited a corporate risk officer in December 2008 whose role would be to implement the joint approach to risk management. The post was joint funded by both councils.
6. Since then we have made significant progress and have:
 - created a joint risk management strategy and gained approval of it from this committee and Cabinet
 - rationalised the approach to risk management between South and Vale
 - implemented the harmonised arrangements
 - appointed risk champions in each service area
 - created and developed operational risk registers for each service area
 - created and assisted in the completion of the strategic risk register
 - undertaken quarterly reviews of operational risk registers
 - presented the strategic risk register to this committee in September 2009
7. The risk management harmonisation process is now effectively complete.

Strategic risks

8. At the September meeting of this committee, we provided you with the strategic risk register. Since then, management team have reviewed the register and as a result, no changes were made to the register during quarter three. Management team will review the strategic risk register at the end of March and have already suggested making some changes in light of the recent spell of bad weather.
9. In accordance with the risk management strategy, management team continues to review the strategic risk register quarterly.

Operational risks

10. We created our operational risk registers in April and initially it involved service teams looking at the services that they deliver and then identifying any barriers which would stop them from doing so. The next stage was to analyse those risk in order to understand the consequences of them happening and what would trigger them to happen in the first place. The final task for service teams was to prioritise their risks according to the likelihood of the risk occurring and the impact if it did occur. This results in each risk receiving a score that we use to plot the risk onto a matrix and identify if we need to manage it any further.
11. South has eight operational risk registers and eight risk champions, one for each service. The risk champion is responsible for co-ordinating the quarterly update exercise within their service area and updating their risk register as required.
12. At the end of quarter 3 (December), we had 270 operational risks and the table below shows a breakdown of these risks for each service.

Service area	Number of operational risks	Number of operational risks above tolerance
Commercial services	37	2
Corporate strategy	35	1
Economy, leisure and property	45	15
Finance	18	12
Health and housing	11	4
HR, IT and customer services	84	6
Legal and Democratic	24	10
Planning	16	1

13. Of our 270 operational risks, we are managing 81 per cent with our existing procedures and processes. This shows that our risk management arrangements are effective.

Risks requiring further management

14. We introduced a risk tolerance level as we recognised that few organisations have sufficient capacity to manage every risk, and we wanted to be able to identify the most important risks to focus our resources on.

15. The remaining 19 per cent of operational risks that are above our tolerance require further management. We are already addressing these risks through our quarterly review process and have actions plans in place to ensure each mitigating action is implemented on time.

Next steps

16. The way we routinely manage risks above tolerance is through the annual service planning. Any risks requiring further action to reduce their likelihood or consequences are included as actions in the annual service planning.

17. The annual service planning process begins in March 2010 (deliberately begun after the appointment of shared service managers) and this will include as usual the process of identifying, analysing and rating risks, and identifying what actions are needed to address risks above tolerance. These actions will be included in 2010/11 service plans.

Financial, legal and any other implications

18. There are no financial or legal implications arising from this report.

Conclusion

19. Our risk management arrangements are embedded and we are managing our operational and strategic risks effectively. We are aware of those risks that need further management and we can keep track of the implementation of any additional action through our robust review process and through service plans.

Recommendation

20. We invite Audit and Corporate Governance committee to note the contents of this report and comments on the management of our operational and strategic risks.

Accompanying papers: None