Agenda Item: 5 (B)

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

12 MAY 2008

REVIEW OF KEY BUSINESS RISKS

Report from: Robin Cooper, Director of Regeneration Community & Culture and Chair of Strategic Risk Management Group

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Summary

In accordance with paragraph 4.1 of the Council's Risk Management Strategy this report presents to Members the key business risks identified by Management Team on 19 March 2008.

1. Budget and Policy Framework

1.1 The Risk Management Strategy underpins all aspects of Council work and is fundamental to the Performance Plan in terms of "giving value for money".

2. Background

2.1 To meet targets set in the risk management strategy, address concerns identified in the audit review of risk management 2006/7 and raise our CPA rating Management Team agreed a planned approach to embed risk management.

2.2 Phase 1 commenced in August 2007 when, with the help of Zurich Municipal Management Services, senior managers identified a number of key business risks that could affect the Council achieving its objectives. These risks were reviewed on 19 March 2008 and now form the basis of the Council's Key Business Risk Register.

2.3 Appendix C is the outcome of the work and includes a list of the risks with actions plans for risks identified as being above the tolerance line.

2.4 This report invokes Paragraph 4.1 of the Risk Management Strategy that requires the Council to "review and manage the key strategic risks faced by the Council on a regular basis".

3. Additional Background Information

3.1 Training for service managers took place in February & March 2008 and a report detailing the outcomes is currently being prepared.

3.2 To help achieve 4.1 (Level 4) of the Use of Resources Key Lines of Enquiry (KLOE), all members were offered risk management awareness training appropriate to their needs and responsibilities.

3.2 Thirty members attended the session run by Zurich on 26 February 2008. For training purposes the key business risks in Appendix A were shared as 'work in progress'. It was noted that 7 of the 11 risks identified by Members (listed below) were the same as those identified by Management Team.*

- Insufficient Money *
- Thames Gateway *
- Ageing workforce *
- National economy
- Skills Shortages *
- Anti-social behaviour
- National Government agenda
- Ageing population *
- Education *
- Disengagement
- Transport Infrastructure *

4. Advice and analysis

4.1 Risk management is 'what if' scenario planning and its purpose is to manage the barriers to achieving the Council's objectives.

4.1.1. The risk scenario structure consists of:

4.1.2 a) Vulnerability – a given situation (even if it might be being tackled) that currently exists that allows a risk/issue to occur.

b) Trigger – the underlying worrying event/variation that, from the vulnerability, is likely to occur.

c) Consequence –the impact of the vulnerability on the achievement of the objectives should the trigger occur.

4.1.3 Risks are then measured for their:

a) Impact – the extent the issue, (assuming it were to manifest itself to the degree defined in the consequences), would impact on the Council's ability to achieve its vision and priorities.

b) Likelihood – taking into account existing measures to manage the issue (not those planned or not yet in operation), how likely is the 'impact' to occur within the timeframe of the corporate plan? I.e. 2007/2010

4.2 The risks identified by Management Team in Appendix C were assigned a reference number, assessed for impact and likelihood and plotted onto a risk matrix (Appendix B). For ease of reference Appendix A lists the risks with their current allocated priority.

4.2.1 The impact, compared against the Council's corporate priorities was measured as being negligible, marginal, critical or catastrophic (also viewed as 'showstoppers'). The likelihood, of the risks was measured as being almost impossible, very low, low, significant, high or very high.

4.2.2 Management Team considered each of the squares on the matrix and decided if risks in that box needed to be managed as a priority. In doing so a theoretical tolerance line was created with risks above the line requiring pro-active management as a priority and those below the line viewed as significant risks, but currently with effective management. .

4.2.3 It was agreed that management action plans (MAT) would be prepared for those risks viewed as above the tolerance line. These are detailed in Appendix C which is listed in priority order by reference number.

4.2.4 Each risk is owned by a senior officer to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

4.3 The key business risk register will be monitored and reviewed every six months.

5. Consultation

5.1 Portfolio holders and relevant officers have been consulted.

6. Financial and legal implications

6.1 There are no direct financial or legal implications arising from this report although clearly the inability to control or mitigate risks could have a financial or legal impact.

7. Recommendations

7.1 Members are asked to consider and comment on the key business risks and action plans identified by Management Team and detailed in Appendix C.

8. Suggested reasons for decision(s)

8.1 The establishment of a corporate framework for risk management is recommended by Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) and will complement and support the work already being carried out within each directorate to manage risks.

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Appendices

Appendix A – List of Corporate Key Business Risks
Appendix B – Prioritisation of risk on the risk matrix
Appendix C - Management Action plans (MAP) for those risks above the tolerance line

Background papers

Internal Audit's management action plans from the risk management audit 2006/2007

Revised Risk Management Strategy

Audit Commissions Key lines of enquiry for use of resources 2008 assessments