



ESPO MANAGEMENT COMMITTEE – 25 MARCH 2011

AGENDA ITEM NO. 8

MANAGEMENT OF BUSINESS RISK

REPORT OF THE INTERIM DIRECTOR

Purpose of Report

1. This report outlines the steps taken by ESPO to improve the understanding, management, and mitigation of risk within its business. The report discusses the action taken to date and future action plans to improve ESPO's understanding of the increased risk that comes with complex projects.
2. The Management Committee will be asked to note the actions to date and future actions, and agree to receive a further report at its June meeting. In this further report the intention is to link the business risk to the governance structure proposed by the Review outcomes.

Background

3. The recent 'claim' by a supplier with regard to the termination of a design and marketing agreement has highlighted the need for increased understanding, assessing and management of risk on a project by project basis.
4. At the same time a review of ESPO's business processes has also highlighted the need for:
 - Better project management of ESPO's tender programme (project management in this context refers to broad aspects of project appraisal, programming, resource allocation, risk mitigation, monitoring, etc.);
 - Improved business continuity planning for ESPO's operations management;
 - Improved understanding of Members' requirements of ESPO in their business continuity planning;
 - Improved ongoing risk management.
5. In addition the expansion of ESPO's role in Pro5 has meant the need for improved evaluation and management of risk as projects develop.
6. In summary, the issues raised above have resulted in a need to improve the management of risk at both an operational and strategic level.

7. The remainder of this report sets out the action taken to date and intended future management arrangements.

Strategic Risk

8. ESPO needs to ensure that it not only understands its core strategic business and associated risks, but also ensures the safeguarding of its reputation, its assets, and the interest of its customers and stakeholders. This will be achieved by identifying and co-ordinating ESPO's response to all potential threats and disruptions to its business.
9. In year ESPO has programmed to deliver an effective and practical Business Continuity Programme using BS25999, and supported by Leicestershire's Business Continuity Manager. This British Standard identifies a uniform benchmark for good practice using a five stage business continuity lifecycle.
10. The introduction of such a robust business continuity programme will ensure that ESPO:
 - will recover from any disruption with minimal impact on employees, clients, and the reputation of the organisation;
 - will be able to provide resilience assurance to its customers.

Operational risk

11. This will be managed through a business case process, the objectives of which are to:
 - enable forward planning in terms of resources and timing;
 - assess and monitor budget implications in terms of costs and revenues;
 - enable outcomes to be reviewed and learning achieved;
 - evaluate potential risks of individual projects and consider actions to mitigate.
12. Overall objectives will be achieved through a format of approval and sign off involving an outline business case, a final business case, and a project planning management system.
13. Business cases will be signed off by the Senior Management Team (SMT). Timetabling will be managed by the new Compliance Division through a project planning methodology. Compliance will be responsible for legal, procedural and compliance methodologies and will 'manage' project planning to ensure OJEU compliance and delivery of on time tender approval.
14. Any identification of abnormal risk, over and above normal project risk, either through procurement complexity, value, or other identified risk, will be escalated and managed by SMT through ESPO's overall risk register and any significant project risk will be referred to the Management Committee for decision in terms of ESPO's involvement or otherwise.

15. The business case format will identify:
- Project description
 - Estimated project value
 - Client objectives
 - Market analysis
 - Options appraisal
 - Financial Case (vfm, costs of procurement, potential savings, level of return)
 - Achievability (ESPO resources, timescales; etc)
 - Timetable to contract start
 - Sustainability
 - Risk analysis
 - Proposed marketing strategy
16. The business case process is intended to be both challenging and open to scrutiny by member authorities. Internal Audit will also test the new project management planning system.

Resources Implications

17. The Business Continuity programme set out in paragraph 9 will be delivered through a combination of support from Leicestershire County Council and external consultancy support at a cost of £31K. These costs have been apportioned via the 2010/11 and 2011/12 budgets.

Conclusion

18. The outline above is very much work in progress. It is intended that once in place it will 'fit' with the outcome of the Business Strategy Review, and enable any agreed form of governance to either scrutinise or oversee the process and agree where 'sign off' will be required moving forward.

Recommendation

19. The Committee is asked to:
- (a) note the actions taken to date and the future planned actions to the improved management of business risk;
 - (b) agree to a further report being submitted to the next meeting of the Management Committee..

Equal Opportunities Implications

None.

Risk Assessment

None required.

Background Papers

None.

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