

Agenda Item 20

Executive Board

21 June 2006

TC



Corporate Governance

Corporate Risk Management Policy and Strategy

Summary

The report introduces a revised Corporate Risk Management Policy and Strategy.

Recommendations

Members are asked to approve the Revised Risk Management Policy and Strategy

a) Reasons for Recommendation

The original Corporate Risk Management Policy and Strategy was written at the outset of the risk embedding process and now needs reviewing in light of the progress the Council has made with embedding corporate risk management.

b) Alternative Options

None

c) Risk Considerations

- The Council will not be able to demonstrate a revised policy or strategy on corporate risk management, this is a requirement of our Use of Resources Assessment
- The Corporate Governance Assurance Statement would highlight our failure to keep the policy and strategy under revision
- Our Corporate Governance arrangements would not be properly documented, this would attract adverse criticism from the Audit Commission.

d) Policy and Budgetary Considerations

There are no budgetary considerations

e) Date for Review of Decision

N/a

Executive Summary

This report sets out a revised Policy and Strategy on Corporate Risk Management (CRM), and asks the Executive Board to recommend its adoption to the Council. The Policy and Strategy provides a framework within which the Council can identify, assess and manage corporate risks. That framework will help in achieving the Council's Priorities by supporting officers and council members when making strategic and operational decisions, providing services, allocating and managing resources etc.

CRM is a key dimension of the Council's arrangements for Corporate Governance. The Chartered Institute of Public Finance and Accounting (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have issued guidance for local authorities to review their corporate

governance arrangements. This requires local authorities to make a “public statement” to stakeholders on their CRM strategy, framework and processes. This guidance has now been adopted as a basis for part of the Corporate Assessment phase of the Comprehensive Performance Assessment (CPA) of local authorities.

A key element of the CRM Policy and Strategy is the production of a detailed Risk Management Guide. The Guide will provide officers and council members with the necessary guidance and advice in order to identify, assess and manage risks within their services.

The Policy also makes it clear that risk management is not about Insurance – this is merely one way of transferring a degree of risk away from the Council.

Outline of Proposals

The proposals in this report are for the Council to continue to make a public statement on CRM. The Policy will set out the Council’s CRM objectives and will confirm the approach we are using to achieve them.

The Policy and Strategy does not present detailed guidance or rules on the management of risk. These will be addressed in the Risk Management Guide and associated initiatives such as training programs. The Corporate Director - Economy will be accountable for the delivery of this part of the overall approach, and will report to the Audit and Accounts Committee on a quarterly basis for them to assess the adequacy of the arrangements across the Council.

Outcomes Sought

Executive Board approval of the revised policy, and referral to Council for formal adoption.

Service Delivery

A key aim of CRM is to ensure the continued delivery of services that are relevant to the Council’s needs. Whilst CRM guidance and advice is provided by expert staff, to be effective it must be part of everybody’s “day job” ie part of the culture of the Council.

CRM will provide guidance on assessing risks when entering into new ventures and changing existing arrangements e.g. Council restructuring, partnership working or streamlining of services. In this way, CRM will be key to effective performance management and service planning, and will help service managers address the risks that can lead to service failure and under performance.

Link to Corporate Strategy

The overarching aim of CRM is to contribute to achievement of the Priorities, outcomes and measures. It will do this through improving service performance, minimising losses and waste of resources, protection of staff, residents and clients, and protection of the Council’s assets and operational capacity.

Local Area Impact

None specifically at present although through CRM we may well identify risks that affect particular areas of the district e.g. high levels of traffic accidents or coast protection issues.

Consultation

The Risk Management Policy has been discussed and agreed with the Council’s external auditors, and follows guidance issued by ALARM and through the Audit Commission. Staff across the Council have received training in risk management.

Legal Implications

The statutory framework for CRM is fragmented with a range of statutory and professional “best practice” requirements.

Audit Commission Codes of Audit Practice refer to a local authority’s responsibilities regarding financial and operational risks.

Further references can be found in various Acts including section 151 of the 1972 Local Government Act that concerns the safe and efficient arrangements for administration of financial affairs.

Financial Implications

The Association of Local Authority Risk Managers (ALARM) has estimated the cost of risk within a local authority as being 0.65% of gross revenue. This is the evident cost i.e. insurance premiums, risk controls, uninsured losses, administration etc. They further estimate the hidden cost of risk at 8 times this level. This can be seen as the cost if “everything went wrong”, or alternatively as a typical “exposure to risk”.

Consultation on Reports to the Executive

N/a

Background Papers

None

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