

# **East Devon District Council**

## **Corporate Risk Management Policy (CRM)**

### **Reviewed**

June 2006

### **Policy Number**

tba

### **Policy Approval**

This Policy was approved by the Council in June 2006.

### **Policy Statement**

The Council's Corporate Strategy sets down the outcomes and measures it will achieve over the next 12 – 24 months. The Strategy takes into account the CPA process and the need to continually monitor and improve our services. It also takes into account changes in legislation and government expectations. Change can significantly increase the level of risk.

Risks themselves can range from those with an impact that can be easily understood e.g. those related to a major capital project, to those that are less readily identified such as the risk to the Council's reputation and standing. The Risk Management Policy provides a framework within which these risks can be managed.

The Institute of Risk Management has defined 'Risk' as:

*"the chance of something happening that will have an impact on objectives"*

CRM can be defined as the use of all forms of intelligence, information and data to identify and quantify the risks faced by an organisation. This will enable decisions to be taken on the best way of controlling and managing the risk, and whether to transfer it (through insurance) or accept and finance it in-house.

The stages of CRM are as follows:

- Identification
- Analysis and Assessment
- Control and Management
- Financing
- Monitor and Review

### **The Council's Commitments**

The Council's priorities are to achieve thriving, balanced communities, take care of and improve our environment, encourage a flourishing local economy and provide community leadership and good value for money, customer focussed services. The

Council needs to manage its risks in order to deliver the Council's priorities and to deliver the services expected of our stakeholders.

Delivering excellent services demands that we do the following:

- Target corporate risk management issues
- Maintain financial stability by minimising resource loss and wastage
- Support internal and financial control and audit
- Provide and maintain opportunities for investment and redirection of resources
- Maximise income opportunities
- Identify risks associated with new initiatives and change
- Develop and maintain reputation (to encourage partners and funding agencies)
- Be open and honest in our decision making processes, delegation arrangements and corporate governance

The points above help to demonstrate the links between the corporate strategy and the Council's Service Plans for service delivery. It also introduces another dimension into CRM that of "Strategic" risks and "Operational" risks.

## **Specific Policy Areas**

### **Strategic Risks**

Strategic risks are generally managed by the Council's Corporate Directors and are defined as "those risks that can damage the achievement of the Council's priorities, outcomes and measures i.e. the Council's vision".

### **Operational Risks**

Operational risks are managed by senior and middle managers and are defined as "those risks that can affect the delivery of individual services but would not, in isolation, threaten the Council's overall objectives e.g. a refuse vehicle breaking down during a collection round. The link between the two is that operational risks can become strategic if they continue to happen e.g. continued failure to collect refuse could adversely affect the Council's reputation for delivery of quality services.

### **How do we do it?**

The Council has published its Toolkit for CRM. This document sets out the processes required and provides the framework for all CRM activities.

This Policy and Strategy will describe the different elements that need to be managed in order for the CRM methodology to become embedded into every layer of the Council's business. These are:

- Ownership  
The Council must demonstrate that it owns its Corporate Risk Management Policy and supports the Corporate Risk Management Strategy and Toolkit.
- Defined roles and responsibilities  
The Council must identify specific roles and responsibilities to ensure each member of staff understands their responsibilities.

- Processes  
The Council must build-in CRM when making its decisions and this process should be evidenced
- Advice and Guidance  
The Council must provide advice on best practice, and incorporate CRM within specific projects
- Resources  
The Council must allocate adequate resources to achieve the Policy and deliver the Strategy.

## **Corporate Risk Management Strategy**

### **Ownership**

It is vital that the Council promotes CRM as one of its key corporate governance outcomes. CRM is a valuable tool to ensure the continued delivery of services. 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. Corporate Directors will monitor the Council's Priorities and the risks associated with them, Service managers will manage the delivery of their services and the risks associated with it.

### **Roles and Responsibilities**

At officer level, responsibilities may be of an individual nature and will include the Chief Executive as Head of Paid Service, the Corporate Director - Economy as Section 151 Officer, and the Deputy Chief Executive as the Monitoring Officer. They also include the collective responsibility of other Corporate Directors and Heads of Service, through Departmental Management Teams, and individual service managers and their staff as the people who deliver services on the ground.

There is a Corporate Risk Manager who, together with the risk 'Champion', the Corporate Director – Economy, are the main drivers for much of the Corporate Risk Management activity. There is also a council member risk 'Champion' who receives the reports on progress and significant risk issues.

### **Processes**

The simplest way to describe how to perform CRM is to think of a cyclical process of identification (of risks) which leads to assessment and the consideration of actions (or controls) to mitigate the risk. Then to establish mechanisms for implementing the actions (or controls) including allocating specific responsibility to ensure the control is in place and working as expected. Finally, there is a need to monitoring review and update on a frequent basis.

The Council has produced a Toolkit (available from the CR Manager) which sets out in detail each of the processes above, and includes risk assessment matrices to assess likelihood and impact.

The risk assessment matrices assist in focussing on those risks whose combined likelihood and impact make them priorities for management action. They also help allocate resources to where they will have the greatest impact.

## **Advice and Guidance**

The Council has provided most staff members and key council members with the necessary training to ensure an awareness of risk and the ability to identify, assess and manage it.

## **Resources**

The Council has a nominated officer designated as the Corporate Risk Manager, who is responsible for ensuring a corporate approach to CRM and to provide advice and guidance on best practice and legislative requirements and to identify trends and common problems.

The Council has a Corporate Risk Register that is updated on a cyclical basis.

## **Independent Review**

The Council's Internal Audit section will independently evaluate the actions (controls) designed to mitigate risks and provide assurance to the Council that the controls are in place and working as expected. The auditors work to an Annual Audit Plan and a Risk Register Review Plan, both of which can be found on the Council's intranet.

## **Reporting to Members**

Members are updated by way of quarterly reports to the Audit and Accounts Committee. This Committee reviews progress on identifying key strategic and operational risks and the ways in which they can be managed.

## **Status of the Policy and Strategy**

The Policy affirms the Council's awareness of risk and the duty that it has to manage risk. It refers to the Risk Management Strategy as a primary tool to achieve this, and sets out the aims and objectives for that Strategy. The Policy will be reviewed (at least) annually to ensure its continued relevance to the Council.

The Strategy sets out the key actions to deliver its aims and objectives. It provides a framework to ensure processes and training programs are implemented. A detailed Risk Management Guide (Toolkit) provides detailed guidance on issues such as risk identification and assessment, risk registers and recording. The Strategy will be reviewed (at least) annually to ensure its continued relevance to the Council

## **Outcomes**

The overarching aim of CRM is to contribute to the achievement of the Priorities, Outcomes and Measures outlined in the Council's Corporate Strategy. It will do this through:

- Improving service performance, minimising losses and waste of resources.
- Help to protect staff, residents and clients, and protection of the Council's assets and operational capacity.

- Strategic and operational objectives, measures and outcomes are risk assessed and managed.
- Increased likelihood of achieving strategic and operational objectives.
- Managers become 'risk owners' and are responsible for implementing the actions to control their risks.
- Satisfy the requirements of the Audit Commission.
- Compliance with the Council's Code of Corporate Governance, which in turn satisfies the corporate assessment phase of the CPA process for local authorities.
- Assists in ensuring openness and transparency of decision making by ensuring risks and opportunities are fully debated.
- Assists decision making because both pros and cons can be evaluated.
- Recognition as an excellent Council.

## **Who is responsible for delivery?**

The Portfolio Holder for Resources is responsible for the general overview of CRM.

The Audit and Accounts Committee is responsible for scrutinising CRM across the Council.

The Executive Board has a responsibility for approving the CRM Policy, Strategy and Toolkit and for receiving annual reports on progress.

The Strategic Management Team is responsible for identifying, assessing, monitoring and controlling strategic risks within their own directorates.

The Strategic Management Team also have a role in promoting good governance and CRM across the Council.

The Corporate Risk Manager is responsible for facilitating risk management across the Council, to offer advice, guidance and training and to update the Council's corporate risk register. The Corporate Risk Manager also prepares the Council's Corporate Governance Assurance Statement.

Heads of Service are responsible for identifying, assessing, monitoring and controlling their service risks. Including any activities in partnership with other services and/or external partners. Heads of Service are responsible for the implementation of actions (or controls) to ensure that any risks identified in the provision of their service are adequately mitigated

All Council Members and Staff who make operational decisions or provide services have a responsibility to consider any corporate risks associated with their actions and to discuss them with either their Head of Service or the Corporate Risk Manager..

## **Performance Monitoring**

### **External Inspection and Assessment**

Corporate Risk Management is a key dimension in the Council's Corporate Governance arrangements. Guidance from CIPFA and SOLACE enables the Council to review its arrangements against a recommended framework. The Policy and Strategy reflects this, and, when combined with the Risk Management Toolkit and other range of detailed control procedures, training programs, regulations and codes, provides a comprehensive framework for the management of risk across the Council.

The arrangements for Comprehensive Performance Assessment (CPA) use the CIPFA/SOLACE framework as a "benchmark" for part of the corporate assessment phase. We need to demonstrate certain qualities and minimum standards in order to achieve a favourable assessment. These are summarised below:

- Robust risk management
- Assessment of risks inherent in our plans
- Awareness of risks especially when entering new arenas
- That we are not risk averse
- Competent in managing risks in periods of change
- Risk management supports innovation
- Not unnecessarily exposed to risk
- We have a Risk Management Strategy and associated procedures to deliver it

### **Strategy Consultation**

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

### **Policy Review**

The Corporate Risk Manager, Economy will review this policy in April 2007.

### **Related Policies and Strategies**

Code of Corporate Governance

Risk Management Toolkit