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**REPORT TO** Council Resources Overview and Scrutiny Commission

**DATE:** 6 March 2006

**DEPARTMENT:** Corporate Policy and Improvement

**REPORTING OFFICER:** Corporate Improvement Officer (Governance)(*A. Hirst-Gee*)

**SUBJECT:** **Corporate Risk Management Strategy 2005-2008**

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**1.0 Introduction**

- 1.1 This report introduces the revised Corporate Risk Management Strategy 2005-2008 and Strategy Action Plan, for consideration by the Council Resources Overview and Scrutiny Commission. The previous Strategy was written and published in November 2003: this document has been fully revised and updated.
- 1.2 Members might recall that at a meeting on 29 January 2003 Cabinet received a report recommending proposals to demonstrate Members' explicit consideration of strategic and operational risk. These included amending each portfolio to reflect risk management responsibilities. Cabinet agreed the recommendations and General Purposes approved the constitutional amendment in April 2003.
- 1.3 Members will also recall that the Commission has received for consideration reports on risk management in the past, and that overview of risk management is one of the key areas for the Commission when it sits as the Council's Audit Committee.

**2.0 Recommendations**

- 2.1 The Commission considers the Corporate Risk Management Strategy 2005-2008 and Action Plan as a starting point for improved risk management arrangements.
- 2.2 The Commission agrees to receive regular reports of progress on delivery of the Strategy and Action Plan and risk management arrangements in general.

**3.0 Recommended Reasons for the Decisions**

- 3.1 Risk management makes an essential contribution to the Council's arrangements for corporate governance and internal control, and to continuous improvement and best value in service delivery. The 2004 CPA report identified the Council's approach to strategic risk management as one of its key performance management strengths: this Strategy is intended to maintain and build on this acknowledged strength, to enhance risk management and its contribution to the improvement agenda.

**4.0 Alternative Option Considered and Recommended for Rejection**

- 4.1 No alternatives were considered. The Council must have effective risk management arrangements in place.

## 5.0 Background Information

- 5.1 The Corporate Risk Management Strategy 2005-2008 is mainly self-explanatory but there have been developments in related areas since the previous Strategy was approved in November 2003, that provide an updated context for risk management, and that are outlined in this Section of the report for information.
- 5.2 Risk management is one of the six key elements of the internal control environment as set down in the Annual Statement of Internal Control, which was first introduced retrospectively in 2003/2004. This document must now be published with the Annual Statement of Accounts and is taken into consideration by the External Auditor when forming their opinion as expressed in the Annual Management Letter.
- 5.3 The CPA Harder Test Use of Resources Self Assessment introduced in 2005/2006 focuses on internal control (Theme 4 of 5) and in particular on the management of significant business risks. This Council's self-assessment was presented to CMT for approval in Autumn 2005 followed by an Action Plan: this plan included a number of actions to strengthen risk management, which were already included in the planned risk management review, of which this new Strategy is part.
- 5.4 Risk management is one of the five fundamental principles of corporate governance. The Audit Commission is currently consulting on a document entitled 'Key Lines of Enquiry for Corporate Governance Assessment'. This is similar in format to the CPA Use of Resources Self Assessment. Theme 3 (of 4) focuses on Risk Management and Internal Control. There is a high likelihood that this assessment will follow a well-established pattern in the near future, of being introduced first to single tier Councils, then District Councils, initially on a discretionary and then part-mandatory basis.
- 5.5 In 2005 the Department of Corporate Policy and Improvement (DCPI) has fully revised the corporate planning process and the Council has adopted seven Corporate Priorities and 12 Strategic Actions. Strategic risk management contributes to the delivery of the priorities and actions by identifying and addressing the risks to their achievement. To better reflect the contribution of risk management, the Corporate Strategic Risk Register is currently being fully reformatted to clarify the links between the priorities, actions and risks and a revised draft will be brought to Cabinet for consultation and approval by 31 March 2006. Operational risk management has also been picked up with Heads of Service as a key theme of departmental business planning.
- 5.6 During 2005 the Council fully implemented the Covalent Performance Management Information System (PMIS). The system includes a risk management module, which Covalent have tailored to reflect the Council's terminology and risk scoring system. It is currently being piloted in DCPI and is likely to lead to a recommendation to migrate current risk documentation onto the system and to produce new documents including risk registers and matrices on the system. The key benefits are that the on-line system has better functionality than the current spreadsheet based system, better tracking and updating facilities, direct links to performance indicators and actions and more up to date, easily accessible management information and reports.
- 5.7 It is hoped that in 2006 the targets set down in the Strategy can be translated into measurable performance indicators to be included in PMIS. ALARM (Association of Local Authority Risk Managers) is developing a range of national performance indicators for RM, but in the meantime some local ones will be introduced.

## **6.0 The Role of the Commission**

- 6.1 There is now a regulatory requirement for the Council to have an Audit Committee. Since April 2005 the Council Resources Overview and Scrutiny Commission has fulfilled this role. CIPFA have recently published guidance for Audit Committees on their role and responsibilities that makes it clear they are much broader than simply audit issues. It is likely that this broader scope will be reflected in a change of name from Audit Committee to Governance Committee.
- 6.2 The Council is required to demonstrate that it manages its significant business risks effectively. This fully revised strategy is one of the key outcomes of a comprehensive review of the Council's risk management arrangements designed to deliver and improve on this requirement. It is a starting point that will be followed by a number of other improvements that should allow officers and members, including Commission members, to play an active role in the management of significant risks to the Council.
- 6.3 The Strategy covers a 3-year period, at the end of which it will be subject to a full review and update. There will also be a limited annual review of the Strategy to ensure it stays up to date, relevant and reflects developments in both the Council's approach to risk management and the context in which it is delivered. It is anticipated that the Commission will play a key role in this process and identify improvements to feed into the annual review process. The Action Plan will be reviewed regularly for progress.
- 6.4 In addition to this Strategy and its Action Plan, an electronic Risk Management Toolkit is currently being developed, linked to the Covalent PMIS Risk Management Module. The aim of the toolkit is to make risk management guidance and methods more accessible and understandable to officers and members, to use to assess risks and to scrutinise the quality of risk assessments submitted in support of reports, decisions etc. Once it is more developed the Toolkit will be demonstrated to the Commission and their input sought for further development.
- 6.5 The next step is for the Council's Strategic Risk Register to be brought fully up to date, both in content (the last one was published in November 2003), and in format (using the risk profile format in the Covalent PMIS Risk Management Module). This update will more closely align strategic risks to the Council's corporate priorities and strategic actions and facilitate more meaningful and more timely monitoring.
- 6.6 Effective risk management arrangements are not only essential in themselves: they make a significant contribution to the Annual Statement on Internal Control, which members will recall they are asked to consider each year, prior to its final approval by General Purposes Committee.
- 6.7 It has already been identified that there is a training need to assist the Commission in fulfilling their role and responsibilities in relation to Risk Management. To assist with this, consideration of the Strategy will be preceded by a short training session on Risk Management, which will be new to some members and a refresher to others.

## **7.0 Conclusions**

- 7.1 The Commission, both in its own right and when sitting as the Council's Audit (Governance) Committee, has a key contribution to make to the management of the Council's significant business risks.

- 7.2 The Council's 2004 CPA Report identified the Council's approach to strategic risk management as one of its key performance management strengths. Its transfer to DCPI recognised risk management as a core function across the Council and reflected its central role in helping to maintain strengths and deliver improvements. As part of the improvement agenda a full review of the Council's risk management arrangements is being carried out during 2005/2006: this fully revised Strategy is one of the main outputs of this review and is the starting point for additional work.
- 7.2 The external and internal context for risk management has changed considerably since the previous strategy was published in November 2003. The Council will not meet a number of its statutory obligations nor achieve good inspection results unless it can demonstrate that it has effective risk management arrangements in place. Clarification of the Council's Corporate Priorities and Strategic Actions brings clarification of the contribution of risk management to the Council's improvement agenda. Implementation of an integrated performance and risk management system will help considerably with further embedding risk management across the Council.

**Background Papers:** Commission members have received copies of the Corporate Risk Management Strategy by e-mail. Two paper copies of the Strategy have also been placed in the Members Room, and further copies can be made available on request.

**OFFICER CONTACT:** Please contact Miss A Hirst-Gee if you require any further information on the contents of this report. The officer can be contacted at Crescent Gardens by telephone on 556113 or by email [andrea.hirst-gee@harrogate.gov.uk](mailto:andrea.hirst-gee@harrogate.gov.uk)

SUSTAINABILITY ASSESSMENT/POLICY CONSIDERATIONS				
		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment		✓	
C	Social Equity		✓	
(i)	General		✓	
(ii)	Customer Care/People with Disabilities		✓	
(iii)	Health Implications		✓	
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.