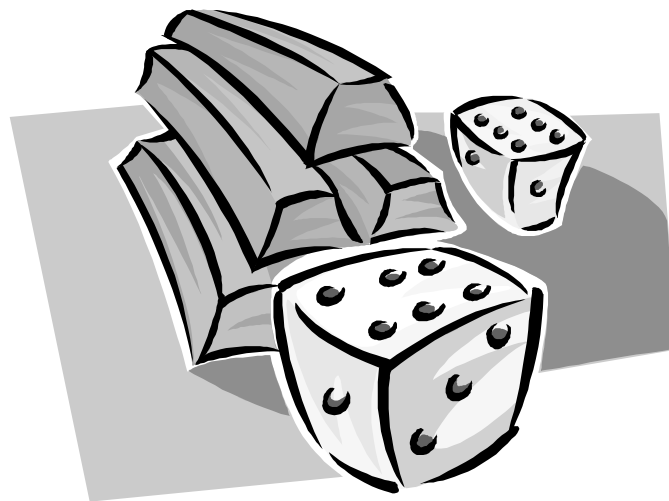


# Corporate Risk Management Strategy 2005 – 2008



**December 2005**

## Introduction

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**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.**

Following its restructure in April 2005 the Council is embarking on a programme of improvement to be assessed as "Good" by 2007 and an "Excellent" Council by 2010 and to be recognised as a high performing Council.

This Strategy provides background information on the Council's context and approach to Risk Management and sets out strategic priorities for maintaining and developing effective Risk Management.

The Corporate Risk Management Strategy is a key document in helping the Council to achieve its vision **"To make the Harrogate District a better place to live, work and visit"**.

**P M Walsh**  
**Chief Executive**

## **Background Information**

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The Council was undertaking formal risk management as early as 1994 when the Chief Executive initiated a series of biennial risk exercises with senior management. This work ran in parallel with developments in specialist risk management areas including corporate governance, internal control, financial risk, business continuity planning, insurance, major project management, and health and safety.

In 2002 a Corporate Risk Management Project was set up to co-ordinate existing work on risk management, to standardise the Council's approach to risk management, to enhance awareness across the Council and to embed risk management in business planning and service delivery. The Project was supported by a joint Member and Officer Steering Group who produced a Corporate Risk Management Strategy and Policy, Strategic Risk Register and Departmental Risk Registers, first published in November 2003.

### **Comprehensive Performance Assessment 2004**

In May 2004 the Council was assessed as "Fair" following its Comprehensive Performance Assessment (CPA) by the Audit Commission Inspectors.

The Audit Commission Inspectors Report identified the Council's strategic approach to risk management as one of its key performance management strengths. The Inspectors said:

"The Council is making progress in developing a strategic approach to risk management. There is a risk strategy in place setting out the Council's approach to risk management and differentiating between operational and strategic risk. There are also departmental and corporate risk registers in place and annual risk reviews. This process has proved successful in analysing risk and promoting a better understanding of risk within the Council. The Council recognises the need to refine and embed these arrangements. However, they provide a sound basis for ensuring the protection of the Council's assets and reputation."

### **Corporate Review**

Following the Comprehensive Performance Assessment 2004, and a change of political Administration, the Council carried out a Corporate Review.

A Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis carried out in June 2004, identified strong corporate governance (of which risk management is a key element) as one of its strengths.

### **Council Restructure April 2005**

Following the Corporate Review, the Council undertook a restructure from 1 April 2005 to build on its strengths, address its weaknesses, and implement the improvements required. As part of the restructure the Council created a Department of Corporate Policy and Improvement under an Executive Director, and Risk Management transferred to this new Department, to reflect its key central role in helping to maintain strengths and deliver improvement and to recognise risk management as a key function within the Council.

## **Background Information (Continued)**

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### **Corporate Planning Process**

Since its inception the Department of Corporate Policy and Improvement has revised the Corporate Planning Process to create a clearer corporate focus and to link its corporate planning process and resource planning into an over policy-led approach.

Within the revised corporate planning process there are three key documents. These are:

- \* The Strategic Plan, which is the Council's core policy document and states the Values and Principles of the organisation, its Corporate Priorities and its Strategic Actions for the next three years.
- \* The Corporate Improvement Plan, which focuses on delivering a new corporate objective, the agreed organisational goal and the Council's response to the CPA Improvement Agenda.
- \* The Corporate Resource Strategy, which embraces a number of current Council strategies.

The Council has adopted seven Corporate Priorities and twelve Strategic Actions. Strategic risk management contributes to the delivery of these priorities and actions by identifying and addressing the risks to the achievement of the Council's objectives and the risks to the Community if the strategic actions are not delivered. Risk management also underpins the Council's corporate values and principles through its contribution to Corporate Governance. Operational risk management has been identified as a key focus for departmental business planning.

This updated Strategy and related documents including the Risk Management Policy and Risk Management Guidelines are intended to build on the acknowledged strength of the current risk management arrangements by maturing and embedding risk management fully across the Council.

### **Comprehensive Performance Assessment 2005 – The Harder Test**

The Comprehensive Performance Assessment for 2005 is based on a Self-Assessment made up of five Themes each supported by a number of Key Lines of Enquiry. Theme 4 focuses on Internal Control and Key Line of Enquiry 4.1 focuses on to how the Council manages its significant business risks. Risk management is one of the five fundamental principles of effective Corporate Governance and one of the six key elements of the internal control environment set down in the statutory Annual Statement on Internal Control.

The Council looks to deliver continuous improvement in risk management. In 2005 the Council implemented a web-based Performance Management Information System. The system includes a Risk Management module and as part of the development and improvement of the Council's risk management arrangements, risk registers and risk matrices are being migrated onto the new system. It is anticipated that integration between performance management, business planning and risk management will be available to all users of the system by the end of 2006/07

## **Aims and Principles – Corporate Risk Management Strategy**

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The aim of the Corporate Risk Management Strategy is:

**“To maintain and build on the acknowledged strength of the Council’s strategic approach to risk management, to enhance risk management’s contribution to the Council’s improvement agenda and its aim to be a well managed Authority.”**

To achieve this aim, the Council is committed to providing excellent risk management arrangements that reflect the following principles:

\* **Open and Honest**

The Council will be as open as possible about its decision-making and activities and will never knowingly mislead.

\* **Accurate and Accountable**

The Council will be accurate in its reporting of its risk management arrangements and will be accountable for its arrangements and controls and the decisions it makes based on them.

\* **Equal and Inclusive**

As far as possible, all risk management information will be made available to all those who need it and will neither favour nor exclude any groups or individuals.

\* **Value for Money**

The Council’s risk management arrangements will be economic, efficient and effective and contribute towards best value and continuous improvement.

\* **Legal and Professional**

The Council’s risk management arrangements will comply with all relevant legislation and professional best practice.

## Aims and Principles – Risk Management

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The Council has adopted a neutral (rather than a negative) definition of risk as something that might prevent it from achieving its objectives. Risk management is therefore defined as **“The identification, analysis and economic control of those risks that might prevent the organisation from achieving its objectives.”** (Association of Local Authority Risk Managers - ALARM).

The Council differentiates between:

- \* *Strategic risks* are risks to the Council's medium to long-term objectives. Strategic risk management is a core responsibility for the Executive (Cabinet and CMT).
- \* *Operational risks* are those risks that managers and officers encounter in the course of their business planning and day-to-day service delivery.

The Council also differentiates between different categories of risk including: political, economic, social, technological, legal, environmental, reputational and project related.

The Council's approach is to be **risk aware** rather than **risk averse**, and to manage risk rather than to seek to eliminate it in all cases. The Council recognises that it must take a balanced approach to risk and that effective risk management is not just about safeguarding against negative risks (threats) but about benefiting from positive risks (opportunities) arising from innovation.

The Council has considered and agreed its risk appetite, that is the level of risk it is comfortable in taking to achieve its objectives. This does not mean the Council will not take a decision or course of action where the associated risk is assessed as being higher than its risk appetite. The Council might have a decision imposed upon it or might find that the alternative courses of action or the consequences of not taking a decision might be equally high risk. It does mean that risks that are assessed as above its risk appetite will attract special consideration.

The Council recognises that whilst risks should be mapped to budgets and resource levels, this can only partly be achieved. The Council is a political organisation and its priorities and objectives can be determined and changed for political reasons. This means that the identification of a high risk does not automatically mean the allocation of a high level of resource to manage it. The Council might legitimately decide to take a risk without diverting resources from higher political priorities and should be able to do so, providing that it makes the decision in full knowledge of the risk management issues.

The Council recognises both the benefits and the risks of partnership working. It seeks to manage these risks through agreeing partnership objectives, procurement arrangements, contracts and other agreements that identify and allocate risks to the relevant partners. To minimise the likelihood and impact of a significant failure in its partnerships the Council encourages its partners to demonstrate that they have effective risk management arrangements in place and to disclose those arrangements when entering into partnership.

# Strategic Risk Management Priorities

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The Corporate Risk Management Strategy has four strategic priorities.

## **Strategic Priority One Corporate Governance**

Contribute to the Council's arrangements for strong Corporate Governance and clearly demonstrate accountability and compliance with those arrangements.

## **Strategic Priority Two Corporate Priorities and Strategic Actions**

Contribute to the delivery of the Council's Corporate Priorities and Strategic Actions by identifying the risks to their achievement and mitigating strategies to address those risks.

## **Strategic Priority Three Embedding and Maturing Risk Management**

Embed risk management by integrating it into business planning, service delivery and performance management across the Authority.

## **Strategic Priority Four Partnerships and Community**

Contribute to successful partnerships and encourage our partners, contractors, suppliers and the local business community to adopt effective risk management arrangements in their dealings with us.

## **Strategic Priority One Corporate Governance**

**Contribute to the Council's arrangements for strong Corporate Governance and clearly demonstrate accountability and compliance with those arrangements.**

To achieve this strategic priority, the following objectives have been agreed:

- \* To apply the values and principles of strong corporate governance (integrity, openness and inclusivity) throughout our risk management arrangements.
- \* To develop and maintain risk management arrangements that meet statutory requirements and professional best practice.
- \* To improve monitoring arrangements and develop more regular, open and informative reporting arrangements.

## **Strategic Priority Two Corporate Priorities and Strategic Actions**

**Contribute to the delivery of the Council's Corporate Priorities and Strategic Actions by identifying the risks to their achievement and implementing mitigating strategies to address those risks.**

To achieve this strategic priority, the following objectives have been agreed:

- \* To publish a Strategic Risk Register that clearly identifies the risks to the achievement of the Council's Corporate Priorities and Strategic Actions.
- \* To identify mitigating strategies, interventions and controls to reduce the likelihood of a risk occurring and the impact if it does.

## **Strategic Risk Management Priorities (Continued)**

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- \* To assign responsibility for the management of risks to those members and officers responsible for delivering Corporate Priorities and Strategic Actions and to support them in actively managing those risks.

### **Strategic Priority Three Embedding and Maturing Risk Management**

#### **Embed risk management by integrating it into business planning, service delivery and performance management.**

To achieve this strategic priority, the following objectives have been agreed:

- \* To adopt a risk management excellence model and toolkit that includes a range of risk management techniques for members and officers to use.
- \* To maximise the potential of new technology to carry out risk assessments and integrate them into business processes.
- \* To encourage members and officers to use risk management to be innovative and exploit opportunities as well as to guard against threats.
- \* To measure the contribution of risk management to continuous improvement in service delivery using a quality assurance and impact assessment framework.
- \* To develop performance management arrangements and to benchmark to maintain continuous improvement in risk management.
- \* To strengthen the links between strategic risk management and related specialist areas including health and safety, insurance, and business continuity planning.
- \* To develop better awareness and understanding of risk management through a member and officer training programme.

### **Strategic Priority Four Partnerships and Community**

#### **Contribute to successful partnerships and encourage our partners, contractors, suppliers and the local business community to adopt effective risk management arrangements in their dealings with us.**

To achieve this strategic priority, the following objectives have been agreed:

- \* To adopt a consistent approach to the risk assessment of external partnerships and corporate projects and to obtain assurances about the allocation of risks.
- \* To share risk management knowledge and experience with prospective and existing partners, contractors, suppliers and the local business community, encourage them to adopt robust risk management arrangements and openly disclose them.
- \* To liaise with the North Yorkshire Local Resilience Forum in their assessment of risks to the Community and publication of a Community Risk Register.

## Targets

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It is essential that the priorities and objectives set down in this strategy are translated into measurable targets and actions identified to deliver those targets.

The Corporate Risk Management Strategy should help to deliver the following targets:

### Target 1

To meet all statutory and professional requirements for risk management (currently the Annual Statement on Internal Control and CPA Self-Assessment Key Lines of Enquiry).

### Target 2

To improve monitoring and reporting arrangements to members and officers.

### Target 3

To improve integration between risk management, strategic planning, financial planning, business planning, service delivery, policy-making and performance management.

### Target 4

To increase awareness of risk management by members, officers, partners and other stakeholders, and the contribution it makes to the delivery of objectives.

### Target 5

To increase the use of risk management techniques by members, officers and stakeholders by making them widely available and accessible on-line.

### Target 6

To increase the number of projects, decisions and reports to the Executive supported by evidence of risk management considerations.

There are currently no national performance indicators for Risk Management. Professional organisations such as ALARM are developing performance indicators for risk management and the Council will look to such organisations to develop its local performance indicators so that it can measure progress against targets. In the early stages these might include:

**Inputs:** number of staff and members trained: number of staff actively involved in risk management and using the online system: number of risk management workshops held.

**Outputs:** percentage of Cabinet and other reports with risk assessments included: number or percentage of services or projects risk assessed: number of risk registers reviewed.

**Qualitative:** case studies showing the application of good risk management techniques and leading to successful outcomes or innovation.

In addition, the Corporate Risk Management Strategy will be subject to statutory and discretionary review by a number of other organisations including:

- \* The Audit Commission, both as the Council's External Auditors and Inspectors
- \* The Council's Insurers and Insurance Brokers
- \* Other Local Authorities and Public Sector Bodies
- \* Partners, Contractors and other Stakeholders

## **Action Plan**

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The Action Plan for the implementation of the Strategy is set out in Appendix 1. It will be implemented and co-ordinated by the Corporate Improvement Officer (Governance) with support from the Risk Management Steering Group, and will be monitored by the Executive Director - Corporate Policy and Improvement, the Corporate Management Team and the Council's Audit Committee.

## **Roles and Responsibilities**

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Responsibility for delivering the Strategy is shared by a number of individuals or groups.

### **Cabinet**

The Leader has overall responsibility for strategic risk management and each Cabinet Member has responsibility for operational risk management in relation to the areas outlined in their respective portfolios (as set down in the Council's Constitution).

### **Chief Executive and Directors**

Collectively, responsible for supporting the Strategy and monitoring its implementation. Individually, responsible for compliance with the Strategy in their respective departments.

### **Heads of Service**

Responsible for applying the Strategy and ensuring compliance within their service areas.

### **Corporate Improvement Officer (Governance)**

Responsible for implementing the Strategy and co-ordinating delivery of the Action Plan, for leading the Risk Management Steering Group, for raising awareness and providing training.

### **Risk Management Steering Group**

This is a joint member and officer Group, responsible for providing support to the Corporate Improvement Officer (Governance) in implementing the Strategy and delivering the Action Plan, and for raising awareness and providing advice to their fellow members and officers.

### **Audit Committee**

Responsible for overseeing the Council's risk management arrangements and the Strategy.

### **Members and Officers**

In addition to the specific responsibilities outlined above, it is the responsibility of all members and officers to have regard for risk in carrying out their duties, and they will be supported in this by training and awareness of risk management.

## **Conclusion**

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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 the successful delivery of the Council's Corporate Objectives and Strategic Actions. The Comprehensive Performance Assessment 2004 identified the Council's approach to strategic risk management as one of its key strengths. Risk management's move to the Department of Corporate Policy and Improvement recognises it is a key function within the Council. This Strategy is intended to maintain and build on this acknowledged strength to improve risk management and enhance its contribution to the improvement agenda.

## Corporate Risk Management Strategy – Action Plan

### Strategic Priority One – Corporate Governance

Action	Lead	Timescale	Outcome	Notes
Use of Resources Key Lines of Enquiry Self Assessment Criteria Theme 4.1:  * Maintain compliance at Level 2 * Enhance compliance at Level 3 * Aim for compliance at Level 4	AHG / MS AHG / MS AHG / MS	} Ongoing from } July 2005 By March 2007	Good inspection result. Good inspection result. Excellent inspection result.	Further work might be needed after the Inspectors report in March 2006.
Maintain an electronic evidence database in support of the annual Statement on Internal Control (SIC).	AHG / Heads of Service	Ongoing from March 2006	Reliable, accessible evidence database compiled continuously throughout the year.	Will need co-operation of and communication with Heads of Service.
Compile the annual SIC and arrange for signature by CE and the Leader.	AHG / CMT	Mar - May, annually	Fully compliant statutory Statement.	
Guide the SIC through the appropriate approvals process (CMT, Governance Committee, General Purposes Cttee).	AHG	May - June annually	Fully compliant statutory Statement.	Appropriate meeting dates / timetable to be determined annually.
Publish the SIC annually in accordance with prescribed format and timetable.	AHG	Usually by 30 June, annually.	Statutory compliance. Also aim to make more accessible eg online.	Annual review to pick up format changes.
Monitor the proper processes in place to support the SIC and report regularly.	AHG / Heads of Service	Monitoring ongoing. Reporting April 2006.	Comply with all best practice requirements eg CIPFA Guide.	Will need to rely on Internal Audit work.
Introduce regular monitoring and reporting to CMT and Members.	KD / AHG	Monitoring ongoing. Reporting April 2006.	Regular monitoring of risk management arrangements.	Will need co-operation of Heads of Service.



## Strategic Priority Two – Corporate Priorities and Strategic Actions

Action	Lead	Timescale	Outcome	Notes
Update the Strategic Risk Register: reformat to reflect corporate priorities and strategic actions.	AHG	October 2005	Fully updated risk register with clear links between priorities, actions and risks to them.	
Update the Strategic Risk Register: review the content for new, emerging, changing and receding risks.	AHG / CMT	January 2006	As above.	
Agree the assignment of responsibility for risks on the Strategic Risk Register.	CMT	January / February 2006	Clear assignment of responsibility for risks & controls.	
Present the revised Strategic Risk Register to CMT and Cabinet for approval with a covering report.	KVD / AHG	February / March 2006	Fully updated risk register with clear links between priorities, actions, risks to them & controls.	
Input the revised Strategic Risk Register onto the Covalent system.	AHG	February / March 2006	Dynamic, widely available and accessible strategic risk register.	
Publicise the revised Strategic Risk Register electronically.	KVD / AHG	March 2006	Raise awareness amongst officers and members.	
Agree quarterly monitoring and reporting arrangements to CMT and the Audit Committee.	KVD / AHG	February / March 2006	Regular monitoring of significant business risks and controls. Compliance with KLOE etc.	
Agree annual review and reporting arrangements to CMT and Cabinet.	KVD / AHG	February / March 2006	As above.	

## Strategic Priority Three – Embedding and Maturing Risk Management

Action	Lead	Timescale	Outcome	Notes
Source, agree and adopt a Risk Management Excellence Model and Toolkit (eg the RBWM model).	AHG / Risk Steering Group Members	Source by 31 March 2006. Adopt across Council by 31 March 2007.	Officers & members have access to a range of risk management techniques appropriate to the nature and level of risk involved.	
Migrate all risk registers and matrices onto the Covalent PMIS risk module and integrate with business planning and performance indicators.	AHG / RSG Members	New departmental registers according to agreed business planning timetables.	Risk registers and risk matrices are available electronically for viewing, sharing & monitoring & linked to performance indicators.	
Increase the number of projects, decisions and reports supported by a risk assessment.	AHG / CMT / Cabinet	Throughout 2006/2007.	Risk management more fully embedded in business planning, projects and decision-making.	
Develop local performance indicators for risk management, both quantitative and qualitative.	AHG / RSG Members	Agree indicators by 31 Mar 2006 to apply during 2006/2007.	Performance monitoring, target setting, benchmarking and continuous improvement.	
Adopt national performance indicators as and when available and agreed.	AHG	TBA	Performance monitoring, target setting, benchmarking and continuous improvement.	Depends on work being undertaken by ALARM currently.
Raise awareness of risk management through meetings (eg Cabinet, DMTs), Intranet, PMIS, risk workshops etc	AHG / RSG Members	April 2006 – March 2007	More awareness & so more use of risk management leading to more informed decision-making.	
Develop a risk management training programme for Members and Officers.	AHG / RSG Members	April 2006 – March 2007	More informed business planning and decision-making.	

## Strategic Priority Four – Partnerships and Community

Action	Lead	Timescale	Outcome	Notes
Introduce a corporate approach to the risk assessment of projects.	AHG / Andy Smith / Heads of Service	Outline approach in place by 31 March 2006 for use during 2006/2007.	Better planned projects, increased likelihood of successful delivery.	
Introduce a corporate approach to the risk assessment of partnerships.	AHG / Karen Weaver / Heads of Service	Outline approach in place by 31 March 2006 for use during 2006/2007.	Better partnership arrangements and increased likelihood of delivering partnership objectives.	
Encourage potential and existing partners, contractors and suppliers to adopt robust risk management arrangements, share knowledge and expertise.	AHG / RSG Members	Outline approach in place by 31 March 2006 for use during 2006/2007.	Improved working relationships and increased likelihood of delivering objectives	
Strengthen and promote links with the North Yorkshire Local Resilience Forum and their Community Risk Assessment and Register.	AHG / RF	Ongoing from January 2006	Improved co-ordination on risk between the Council, relevant Agencies and the Community.	Links with Key Priority 2 of the Council's new Civil Contingencies Strategy.