

Audit and Governance Committee report



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Report of **Head of HR, IT and Customer Services**

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Joint risk management strategy

Recommendations

That Audit and Governance Committee recommends to Executive the adoption of the joint Risk Management Strategy accompanying this report.

1. Purpose of report

- 1.1 For Audit and Governance Committee to review the accompanying joint Risk Management Strategy 2009 to 2012, and to recommend that Executive approves it on 7 August 2009. We took the joint risk management strategy to South's Audit and Corporate Governance Committee on 29 June 2009.

2. Relationship with corporate plan

- 2.1 Having an up to date risk management strategy will help the councils in meeting their shared strategic objective of 'managing our business effectively'. It also supports all of the councils' strategic objectives by setting out an approach that will systematically identify and reduce risks to the delivery of services, performance targets and projects. The adoption of the strategy will also enable the councils to meet a requirement of the government's Comprehensive Area Assessment (CAA) framework, which requires the council to 'manage its risks and maintain a sound system of internal control'.

3. Background

- 3.1 Cabinet approved South's original risk management strategy on 7 July 2005, and since that time, the council's approach to risk management has become fully embedded. Regular reports to Audit and Corporate Governance Committee have shown that strategic and operational risks are under good control, with the level of risk (likelihood

and severity of adverse event occurring) falling gradually over the years. Though Vale has no formally adopted risk management strategy, it has put into place similarly effective arrangements.

4. A joint approach to risk management

4.1 As a consequence of the shared management arrangements, management team asked South's business improvement team to facilitate and coordinate the rationalisation of the two existing approaches to risk management in each council. To lead this, the council appointed a corporate risk officer in December 2008, part of whose time is funded by Vale.

4.2 Since then, we have taken successful elements of both councils' approaches to form an even better and more consistent approach for both councils. For example, discussion with Vale officers led to the decision to use the South's process of integrating risk management with service planning and performance management, whereas the Vale approach of assessing both 'gross risk' and 'net risk', i.e. the level of risk before and after management controls are put in place, has been adopted jointly as best practice.

4.3 We have produced an operational risk register template that is common to both councils and reflects the revised management structure. Each of the eight services has two risk champions (one at each council) and they are currently undertaking the annual refresh of their service's operational risk register. Management team has met to refresh the strategic risk register for both councils, and work is currently underway to finalise this.

4.4 The new joint approach to risk management being adopted by both councils is described in the joint risk management strategy accompanying this report. This:

- outlines the councils' approach to risk management
- sets out the contribution of risk management to the effective management of the councils
- sets out the means of identifying, analysing, managing, controlling and monitoring risks
- provides an overview of the key roles, responsibilities and structures in place for managing risk
- helps the councils meet their strategic objectives, corporate priorities, local and national targets, improve service delivery and support better project management
- achieves better decision making through an understanding of relevant risks
- protects the councils' assets, including property, equipment, vehicles etc and reduce associated losses
- complies with government guidance and Statutory Instruments relating to risk management
- will demonstrate the commitment of South's Cabinet, Vale's Executive and management team to effective risk management
- maintains effective control of public funds, minimise waste, fraud and poor value for money
- provides evidence to the Audit Commission of an effective approach to risk management, and thus contributes to a positive outcome in CAA.

5. Financial, legal and any other implications

- 5.1 There are no direct financial implications of this report other than both councils are joint funding the corporate risk officer post, within existing budgets. The post is in the budgeted establishment at South, with Vale contributing 40 per cent of salary costs for risk management and 10 per cent for business continuity (total 50 per cent).
- 5.2 For risks which are identified as part of the risk management process as being unacceptable, some of the actions required to reduce the likelihood or impact of those risks may have financial consequences. For 2009/10, heads of service have confirmed that they can manage identified risk from within existing resources, with the exception of those actions whose costs have been included in the 2009/10 budget agreed by Council.
- 5.3 The Accounts and Audit Regulations 2003 require us to be responsible for ensuring that we have a sound system of internal control which facilitates the effective exercise of the councils' functions and which includes arrangements for the management of risk and measures to ensure that risk is appropriately managed. We have to demonstrate these arrangements in the Annual Governance Statement.
- 5.4 In addition, the Civil Contingencies Act 2004, places a duty on councils to assess the risk of an emergency occurring and to maintain plans for the purpose of ensuring that if an emergency occurs, the councils are able to perform their functions. Both councils are already meeting the requirements of this Act by each having (separate to the risk management strategy) an emergency plan and business continuity arrangements.
- 5.5 The adoption of the risk management strategy, together with progress made towards implementing the risk management process, will help the councils to meet these duties, although the strategy goes far beyond statutory requirements relating to emergencies and business continuity by identifying many other kinds of risk.

6. Conclusion

- 6.1 The strategy describes how the councils are approaching risk management by making it a way of life, through linking it to the existing well-established cyclical process of service planning and budgeting, and rationalising the process between the two councils.
- 6.2 The adoption of the joint risk management strategy will help the councils:
- embed the risk management process by setting out the means of identifying and managing risks
 - meet their strategic and operational objectives, improve service delivery and support better project management
 - achieve economies of effort through having a single process at both councils
 - meet the requirements of Comprehensive Area Assessment.

7. Recommendation

- 7.1 Vale Audit and Governance Committee is asked to review the accompanying joint Risk Management Strategy and recommend to Executive its adoption.

Background Papers: Risk Management Strategy