

| | |
|--------------------------|--|
| NAME OF COMMITTEE | Audit Committee |
| DATE | 3 April 2012 (West Devon) 5 April 2012 (South Hams) |
| REPORT TITLE | Joint Corporate Risk Policy and Strategic Risk Assessment |
| Report of | Corporate Director (Alan Robinson) |
| WARDS AFFECTED | All |

Summary of report:

This report advises Members of the work of the Senior Management Team (SMT) in relation to raising the profile of the importance of effective risk management across both Councils. It proposes the adoption of a Joint Corporate Risk Policy and suggests that the Audit Committees review the current strategic risk assessment, which is regularly monitored by SMT and was developed last summer following major organisational change.

Financial implications:

There are no direct financial implications arising from the report, although effective corporate risk management may help protect the Councils from future losses.

RECOMMENDATIONS:

1. That West Devon Borough Council Audit Committee recommends to Council formal adoption of the Joint Risk Management Policy;
2. That South Hams District Council Audit Committee recommends to Council formal adoption of the Joint Risk Management Policy;
3. That the Audit Committees of both Councils reviews the strategic risks identified by officers, commenting on the level of risk and the risk management actions proposed with the objective of improving corporate risk management.

Officer contact: Alan Robinson - alan.robinson@swdevon.gov.uk or by 'phone on 01803 861440

1. BACKGROUND

- 1.1 The Audit Committees of both Councils have regularly received updates relating to risk management issues. The focus of the reports has often been on either the processes of risk management or reviewing a range of predominantly operational risks.
- 1.2 As Members will be aware, during periods of significant change there are both opportunities and risks. The new SMT was formed in April 2011 and the shared middle management tier was established in October 2011. During the summer of 2011, SMT developed a new Risk Register in the light of significant external changes, including new government policies, increasing customer and community expectations and a significant reduction in financial resources, as well as major organisational restructuring.
- 1.3 It is suggested that the strategic risks, managed by SMT, could usefully be shared with Members. This will ensure that corporate risk has both an officer and member focus and provides the opportunity for two different perspectives to be taken into account.

2. CORPORATE RISK MANAGEMENT POLICY

- 2.1 A draft Joint Risk Management Policy is attached (Appendix A) for Members' consideration. Both Councils are required to demonstrate to external auditors that effective risk management arrangements are in place and that the approach is rooted in policy. Both Councils provide a wide range of services and there is significant potential for risk. For the purposes of the policy, risk is defined as an occurrence that could impact on the Councils. Risk management is regarded as a tool for exploiting opportunities as well as a safeguard against potential threats. Risks can be related to a wide range of issues, including economic/financial, environmental, social, political, technological, legislative/legal, competitive/contractual, and customer/community. To be effective risk management needs to be embedded within the culture of the organisations and operate at all levels to ensure that both strategic and operational risks are managed. However it must be acknowledged that risk will always exist and can never be eliminated, merely reduced.

3. STRATEGIC RISK REGISTER

- 3.1 The risks currently monitored by SMT are set out in five tables (Appendix B) as follows:
 - Table 1 - Strategic Political Risks
 - Table 2 - Strategic Management Risks
 - Table 3 - Strategic Staffing Risks
 - Table 4 - Strategic Financial and Asset Risks
 - Table 5 - Corporate Issues Risks
- 3.2 The summary tables include mitigating and management actions undertaken or proposed to manage the identified risks. Monitoring requires both a proactive approach to assessing potential risk, as well as retrospective reviews to provide

learning across the organisations. Appended to the risk tables is a Risk Scoring Matrix which has been used to identify risk status. A risk rating is developed by assessing risk impact/severity and multiplying it by the likelihood/probability of the risk occurring. The risk score is the assessment based on the mitigation being successful. The final attachment within Appendix B is a table which summarises the strategic risks, identifying the key risks at the point of the last review. The tables are therefore living documents and will regularly change in response to issues arising.

4. ISSUES FOR CONSIDERATION

- 4.1 This report provides the opportunity for the Committees to consider the draft policy, as well as identify and influence the approach to managing strategic risk at a corporate level. The risk template used in Appendix B will also accompany future reports in support of new initiatives, projects and partnerships to encourage more effective officer assessment of risk as part of securing member approval. Member reports will, therefore, no longer have the rather simplistic risk management summary currently used, except to support routine reports.
- 4.2 Whilst this report focuses on corporate risk, within each service the Head of Service and relevant Middle Managers will also continue to identify and manage operational risks. Operational risk will be identified and managed as part of each services emerging 'blue print' i.e. strategy and action plan to 2015.

5. LEGAL IMPLICATIONS

- 5.1 The Audit Committees have a role in keeping under review and recommending to their respective Councils improvements in relation to effective risk management.
- 5.2 There are no direct legal implications arising from the report although a strategic focus on risk management is good practice.
- 5.3 An assessment has been carried out as to whether the public interest in withholding the information in Appendix B outweighs the public interest in disclosing it. For some parts of the Risk Register, the public interest lies in non-disclosure due to the potential commercial/financial/legal nature of some of the risks identified.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no direct financial implications of the report, although effective corporate risk management may help protect the Councils from future losses.

7. OTHER CONSIDERATIONS

| | |
|--------------------------------------|-----|
| Corporate priorities engaged: | All |
|--------------------------------------|-----|

| | |
|---|---|
| Statutory powers: | None specifically identified |
| Considerations of equality and human rights: | Factored into individual risk assessments where appropriate. Equalities Impact Review of the Risk Management Policy in hand. |
| Biodiversity considerations: | Factored into individual risk assessments where appropriate |
| Sustainability considerations: | Factored into individual risk assessments where appropriate |
| Crime and disorder implications: | Factored into individual risk assessments where appropriate |
| Background papers: | None |
| Appendices attached: | <p>A - Draft Joint Risk Management Policy</p> <p>B:</p> <ul style="list-style-type: none"> • Table 1 - Strategic Political Risk • Table 2 - Strategic Management Risks • Table 3 - Strategic Staffing Risk • Table 4 - Strategic Financial and Asset Risks • Table 5 - Corporate Issues Risks • Risk Scoring Matrix • Summary of Corporate Risk Matrix |

SOUTH HAMS DISTRICT COUNCIL/WEST DEVON BOROUGH COUNCIL
DRAFT JOINT RISK MANAGEMENT POLICY

INTRODUCTION

For the purposes of this policy, risk is defined as something happening, or not happening, that may impact on the achievement of the Councils' objectives and adversely affect our communities. Risk Management will be regarded as a tool for exploiting opportunities as well as a safeguard against potential threats. The objective is for the Councils to become more effective at evaluating risk and mitigating it, rather than being risk adverse.

Both Councils provide a diverse range of services. The nature of the services and the operating context provides significant potential for risk. It is essential for the Councils to have a risk management approach where the likelihood of adverse impact is minimised by anticipating and controlling the exposure to risk.

The risk management policy aims are as follows:

- Anticipating and responding to a changing landscape, which may include social, environmental, economic, political and legislative requirements;
- Embedding risk management as an integral part of the culture of the Councils;
- Motivating management and staff to manage risk effectively in accordance with best practice;
- Protecting the Councils' property, services, financial resources and public image;
- Preventing injury, damage or loss to reduce the cost of risk to the Councils;
- Raising and promoting awareness of the need for risk management by all.

Both Councils recognise that some risks will always exist and cannot be eliminated but acknowledge that there is a responsibility to manage both strategic and operational risks and create a structured approach to their management. This will be achieved as follows:

- Each report to Members will include an appropriate risk assessment of the proposal being considered by Members.

- In cases where significant new risks emerge, or the status of an existing risk becomes critical, then immediate urgent action will be taken by a lead officer, with the post holder to be identified depending on the risk issue, in consultation with appropriate Members;
- Each Service Blueprint will identify key operational risks to objectives affecting the Service Action Plan, and these will be recorded in risk registers;
- The Senior Management Team will comprehensively review the Corporate Risk Tables on a quarterly basis, with the responsible SMT member undertaking a monthly 'light touch' review of those risk areas allocated to that SMT member.
- A Corporate Director will hold quarterly meetings with the Corporate Risk Management Group. This group will comprise the Chief Internal Auditor, the Risk and Health & Safety Advisor, Officers with insurance responsibilities and a Legal Officer. Where necessary, the Corporate Management Group will also include appropriate Heads of Service and/or Middle Managers.
- On a six monthly basis, a Corporate Director will provide update reports to the Audit Committees of each Council;
- The Risk Management Policy will be reviewed every two years.

The risk management framework links with the Council's System of Internal Control and Code of Corporate Governance, all of which form part of the assurance streams that enable the Councils to publish an Annual Governance Statement as required by the Accounts and Audit Regulations (Statutory Instrument).

CONCLUSION

Risk management is a central part of both Councils' corporate management process. It is concerned with identifying, evaluating and controlling risks. Embedding risk management into the corporate culture provides the Councils with the tools to deal with uncertainties. It is impossible to predict what may happen so thought has to be given as to what the Councils' exposures are. The purpose of risk management is to mitigate loss. Whilst often measured in monetary terms, losses will also include the cost of disruption and adverse impact on reputation.

Alan Robinson
21 March 2012