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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM:</b>
<b>DATE OF MEETING:</b>	<b>24 JULY 2003</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>CHIEF FINANCE OFFICER</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (595811)</b>	<b>DOC:</b> c/ks/myfiles/riskmanagement/f&m July03 update.doc
<b>SUBJECT:</b>	<b>RISK MANAGEMENT – PROGRESS REPORT</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM14</b>

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### **1.0 Recommendations**

- 1.1 That the initial work of the corporate risk management group be noted
- 1.2 That the management response to the District Auditor's report be approved.

### **2.0 Purpose of Report**

- 2.1 To provide an update on progress being made on establishing formal risk management in the Council, and to set out the Council's response to the District Auditor's proposed action plan for risk management.

### **3.0 Executive Summary**

- 3.1 The report sets out in pictorial form, the major risks currently facing the Council in delivering services. The main overall action stemming from the report, is to consider formally integrating risk management in the Council's Corporate and Service Planning process.

### **4.0 Detail**

- 4.1 In February of this year, the Committee approved the Council's policy statement on risk management, and the convening of a corporate risk management group (RMG) to commence work on a formal approach to risk management. The report also set out some background to risk management, its growing importance in local government and provided details of initial work undertaken for the Council by our insurers and external auditors.
- 4.2 Subsequently, the RMG has developed the principles and started to build on the base that exists within the Council. Basically, the group has identified and prioritised the major risks facing the Council and these are set out in the risk matrix in Appendix 1.

- 4.3 These risks are both of a strategic and more operational nature. It should be noted that the matrix ranks risks **before** any existing/development work is taken into account, which could already be addressing these risks. When this is fed in, it may reduce the ratings.

However, current guidance suggests that:

- Where risks are RED, a review should be undertaken immediately, and any actions put in place to deal with these.
  - Where risks are AMBER, any current policies/procedures/resources should be reviewed to assess their suitability in managing that risk.
  - Where risks are GREEN – really becomes an acceptable risk, but keep under regular review.
- 4.4 Consequently, the RMG decided to concentrate on the RED risks, and assigned a responsible officer, to initially review and report on what is currently being done to limit the impact of these risks. This is currently being mapped out.
- 4.5 The RMG has formally met on several occasions, and it soon became clear in the process that one of the barriers to effective risk management (how to embed it formally within the organisation) could be a problem for the Council. Further liaison with specialists bore this out, in that a central group should not alone deal with risk management, but it should become a natural part of the planning and monitoring processes of an organisation.
- 4.6 In practical terms, this means getting risk management directly into the Council's corporate and service planning processes. This would mean a risk matrix and action map being constructed for Divisional Service Plans, and the Corporate Plan, to assess the risks around achieving targets and generally delivering services.
- 4.7 This would help to start and directly assign ownership for risk management throughout the organisation, and therefore, embed it as an integral part of service delivery. The RMG could oversee this, and provide advice and assistance, having had practical experience of the process. The external auditors have also offered their support to this as part of further work on risk management/service planning in their audit plan.
- 4.8 This route is to be considered as part of a wider review of the format of service plans.

### **District Auditor's Report**

- 4.9 The report to this Committee in February indicated that the Audit Commission has recently been taking an increasing look at risk management in local government, and external auditors are now regularly reviewing and reporting on arrangements. In addition, risk management will form part of the Council's Comprehensive Performance Assessment.
- 4.10 In the last 2 years, as part of their audit plan, the Council's external auditors have focussed more heavily on our risk management arrangements. It is fair to say that the Auditors have been proactive and supportive to the Council in this area, and have a representative on the RMG. Their work has culminated in a diagnostic report and proposed action plan. The action plan and management response to it is set out in Appendix 2.

- 4.11 It is pleasing to note that a good start has already been made on many of the issues covered by the action plan. It should also be noted that the first recommendation refers to integrating risk management within the planning process!

## **5.0 Financial Implications**

It is likely that some measures to control risk will have resource implications. In addition, best practice suggests that a RMG should have some budgetary provision allocated (£10,000), from which to pump prime initiatives.

A service development proposal was made as part of the last budget round, but not approved. Members may wish to consider allocating any overall underspendings from the budget out-turn in 2002/03 to the RMG. Consequently, this has been highlighted on the budget report that is elsewhere on this agenda.

This cost needs to be balanced against the extra costs that the Council has already incurred from rising insurance premiums (some £60,000 per year from 2003/04). It is likely that the Council will be faced with another large increase for 2004/05. Any investment that helps to improve the way the Council manages its insurable risks, therefore, has the potential to pay for itself in a short period.

## **6.0 Corporate Implications**

- 6.1 The work of the RMG and the action plan proposed by the Council's External Auditors, should help risk management to become embedded in the Council's service delivery and financial plan processes.

## **7.0 Community Implications**

- 7.1 Following on from corporate implications, although benefits are more medium than shorter term, risk management should help to put a sharper focus on service delivery in the local communities.

## **8.0 Background Papers**

None

