

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation & Improvement)	Audit Committee	27/9/07

## RISK MANAGEMENT FRAMEWORK

### PURPOSE OF THE REPORT

- 1 To seek the Audit Committee's approval of a revised Risk Management Framework which sets out the current approach for managing business risk within the Council.

### RECOMMENDATIONS

- 2 That the new Risk Management Framework is approved.

### EXECUTIVE SUMMARY OF REPORT

- 3 The Council's arrangements for managing business risk have developed over time to reflect changes in "best practice" or to comply with new regulatory requirements.
- 4 It is also now expected that each authority's risk management arrangements are recorded in a formal framework or strategy and that this document is approved by members. Such a framework document has now been compiled to map out the Council's approach to risk management and the systems and procedures that are now in place.
- 5 The draft Framework is appended to this report and the contents are explained below.

### CORPORATE PRIORITIES

- 6 This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region		Improved access to public services	
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

## BACKGROUND

- 7 Around the turn of the millennium Risk Management (RM) began to establish itself as a formalised business discipline within the public sector. Therefore in 2001 the Council put RM on an official footing and established a formal RM framework, incorporating the following elements:
- RM Steering Group
  - RM Member Champion
  - RM Policy
  - Corporate and service level risk registers
- 8 The Audit Manager was re-designated as Audit & Risk Manager with new responsibilities to work with members and officers to develop and embed RM disciplines within the Council.
- 9 The Council also appointed external consultants to assist with initial member / officer training and establishing the original risk registers. Since 2001 a variety of generic and targeted training has been provided to members and officers.

## DEVELOPMENTS IN RISK MANAGEMENT

- 10 The local government RM landscape has changed considerably since 2001. RM now finds itself at the centre of good governance and as such is a key focus of external audit and inspection, including the Use of Resources assessment.
- 11 The Council's RM structures and processes have also evolved extensively in order to meet new regulatory developments and the requirements of external audit and inspection.
- 12 The attached Risk Management Framework document describes the Council's current RM arrangements, with particular reference to:
- RM in Business Improvement Planning
  - The Strategic Risk Register
  - Operational / Directorate Risk Registers
  - Responsibilities for RM
  - RM in Procurement & Partnership Working
  - Insurance and Health & Safety
  - RM Networking

## IMPLICATIONS OF REPORT

- 13 This report has no implications for specific Directorates. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE  
(BUSINESS TRANSFORMATION & IMPROVEMENT)

There are no background papers to this report

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# **Risk Management Framework**

**AUDIT & RISK SERVICE  
FINANCE DIRECTORATE  
SEPTEMBER 2007**



# **CONTENTS**

- 1 BACKGROUND**
  - 2 DEVELOPMENTS IN RISK MANAGEMENT**
  - 3 RISK MANAGEMENT IN BUSINESS IMPROVEMENT PLANNING**
    - 3.1 Strategic Risk Register**
    - 3.2 Operational / Directorate Risk Registers**
  - 4 RESPONSIBILITIES FOR RISK MANAGEMENT**
  - 5 RISK MANAGEMENT IN PROCUREMENT & PARTNERSHIP WORKING**
  - 6 OPERATIONAL RISK MANAGEMENT - INSURANCE & HEALTH & SAFETY**
  - 7 NETWORKING**
  - 8 DISTRIBUTION**
- APPENDIX 1 - RISK MANAGEMENT SYSTEM**
- APPENDIX 2 - RISK MANAGEMENT POLICY STATEMENT**

## **BACKGROUND**

Around the turn of the millennium Risk Management (RM) began to establish itself as a formalised business discipline within the public sector. Several publications by the Audit Commission and other bodies provided councils with directions and guidance to develop formal RM structures and processes. Therefore in 2001 the Council put RM on an official footing and established RM framework comprising of the following core elements:

- A Risk Management Steering Group was established under the chairmanship of the then Group Director. The RMSG produced and managed a project plan to deliver compliance with the prevailing guidance and recognised best practice.
- A RM Policy Statement was approved by members and established the Council's approach to RM and the responsibilities of various officer and member groups.
- The nomination of a RM Member Champion.
- A new template for Committee Reports was produced incorporating a section on RM to ensure that risk issues were considered on all key decisions.
- Corporate and Service Unit Risk Registers were compiled based on the Aus/NZ RM Standard and mitigation actions cascaded down to service plans.
- The Audit Manager was re-designated as Audit & Risk Manager with new responsibilities to work with members and officers to develop and embed RM disciplines within the Council.

The Council appointed external consultants to assist with initial member / officer training and establishing the original risk registers. Since 2001 a variety of generic and targeted training has been provided to members and officers, including:

- Executive Cabinet
- Audit Committee
- RM Member Champion
- Strategy Group
- Directors Team / Individual Directorates

## **DEVELOPMENTS IN RISK MANAGEMENT**

In the last six years the local government RM landscape has changed considerably. Key developments include:

- The ALARM / AIRMIC / IRM RM Standard 2002.
- CIPFA SOLACE 2003 Dimension 4 - key element of governance
- Accounts & Audit Regulations 2003 - SIC
- HM Treasury / OGC - Managing Risks With Delivery Partners

- Use of Resources KLOE 4 Internal Control
- CIPFA - Audit Committees - Practical Guidance
- CIPFA SOLACE 2007 - Delivering Good Governance in Local Government

Not surprisingly the Council's RM structures and processes have also evolved extensively in order to meet regulatory developments and / or the requirements external audit and inspection. The remaining sections of this framework document therefore describe the Council's current RM arrangements which we feel not only comply with regulatory requirements but also represent best practice.

## **RISK MANAGEMENT IN BUSINESS IMPROVEMENT PLANNING**

Business risk management describes the process which is aimed at identifying and resolving any **threats** to the achievement of the Council's objectives. This includes dealing with any inherent **weaknesses** within the organisation.

There is also an 'upside' to risk management, in that it is equally important to understand what the Council's main **strengths** and **opportunities** are and that measures are in place to exploit them for the benefit of the local community.

Risk management is therefore a cornerstone of good corporate governance and the Council has established a system of risk management which is an integral part of the Chorley Business Improvement Planning Process (Appendix 1) which involves the creation of **risk registers** at both the strategic / corporate and operational / directorate levels.

### **Strategic / Corporate Risk Register**

Essentially when the Corporate Strategy is reviewed each year, the Council needs to conduct an analysis of the strengths, weaknesses, opportunities and threats that it faces (SWOT) and ensure that appropriate action is planned to address any significant issues that are identified.

This constitutes the strategic risk assessment, which is carried out for each separate strategic objective and long-term outcome and is the process by which the key corporate projects are identified for the year ahead.

Once the key corporate projects are identified they are then inserted in the Corporate Strategy and therefore underpin the annual Directorate Business Improvement Plans.

### **Operational / Directorate Risk Registers**

All the key corporate projects need to be undertaken using the Council's project management methodology and toolkit. This incorporates a section on risk management, under which a project risk register should be to be compiled to identify threats to delivery and actions to overcome them.

## **RESPONSIBILITIES FOR RISK MANAGEMENT**

Compiling the Strategic Risk Register requires a collective effort involving chief officers and senior members to identify the key strategic risk issues facing the Council. Once key projects have been identified the responsibility for managing these and compiling project risk registers lies with individual project teams under the general control of the Corporate Improvement Board.

The entire Business Improvement Planning process is monitored by Strategy Group and Executive Cabinet at the respective officer and member levels.

In addition, the Audit Committee's new terms of reference now requires it to oversee all aspects of strategic performance and corporate governance, including business improvement planning and risk management. It is therefore the Audit Committee that should provide the overview and scrutiny role in respect of the Corporate Strategy and the action taken to manage strategic risk by receiving regular update reports.

## **RISK MANAGEMENT IN PROCUREMENT & PARTNERSHIP WORKING**

The Council's policy frameworks for procurement and partnership working both contain guidance on how risk management should be applied. This includes the need to compile separate risk registers in respect of significant procurement exercises or partnership arrangements.

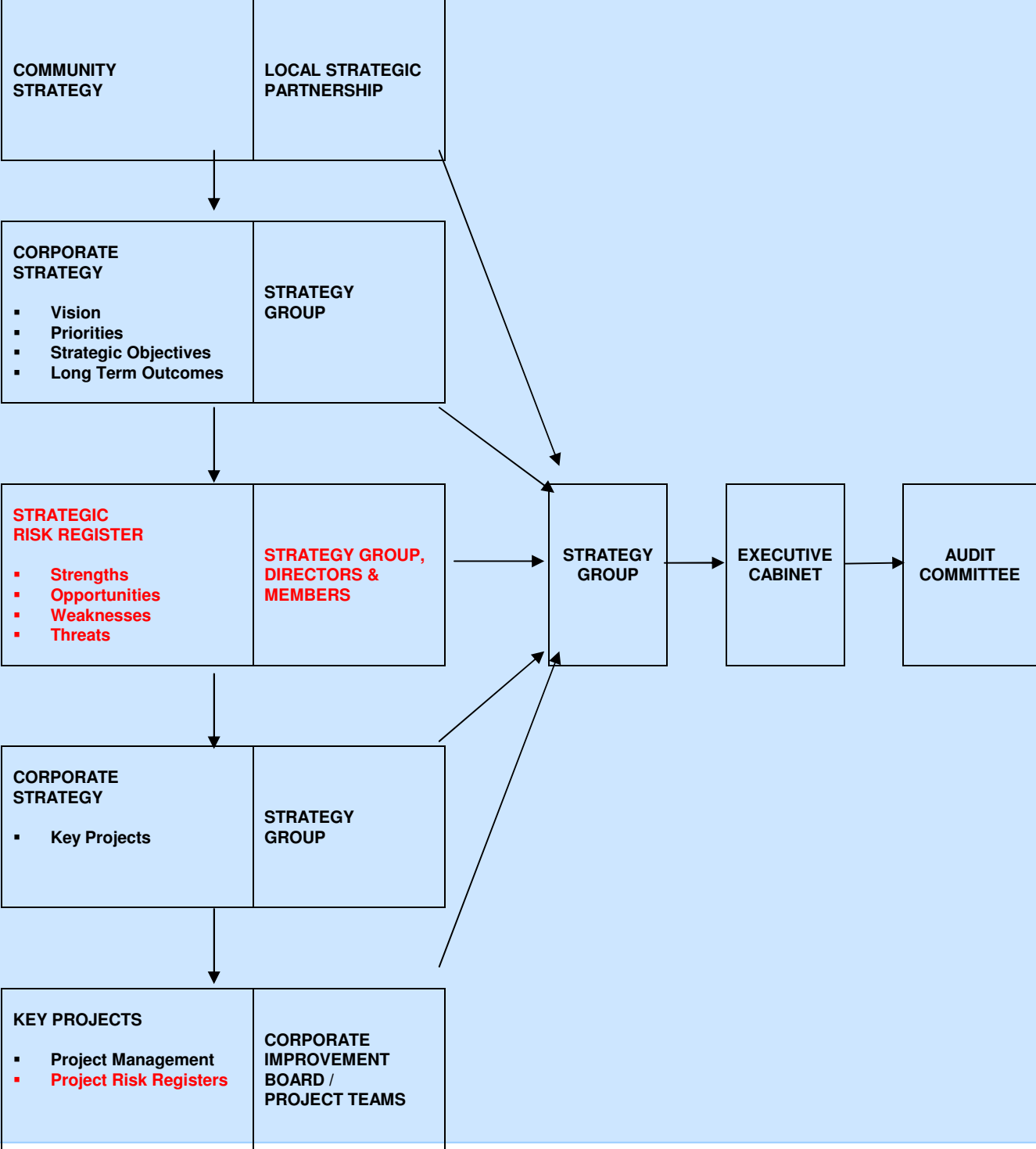
## **OPERATIONAL RISK MANAGEMENT - INSURANCE & HEALTH & SAFETY**

The Audit & Risk Manager's role in facilitating the development of business risk management disciplines within the Council has now been widened to cover insurance administration and managing the health and safety service level agreement with Bolton Council.

## **NETWORKING**

The Council networks extensively on risk management issues and has arranged corporate membership of the Association of Local Authority Risk Managers (ALARM) and the CIPFA Better Governance Forum

# RISK MANAGEMENT SYSTEM





## **RISK MANAGEMENT POLICY STATEMENT**

### **GENERAL PROVISIONS**

The Council is aware that some risks will always exist and will never be eliminated.

However, the Council recognises that it has a responsibility to manage risks and hazards and supports a structured and focused approach to managing them by approval of this Risk Management Policy Statement. In this way the Council is aiming to:

- Better achieve its strategic goals;
- Improve the quality of business decisions;
- Manage its resources effectively to provide Best Value services to the local community;
- Anticipate and respond to changing social, environmental and legislative requirements and associated risks in a proactive and systematic way;
- Provide greater protection of its assets;
- Ensure legal and regulatory compliance;
- Enhance corporate governance;
- Prevent injury, damage and losses and reduce the cost of risk;
- Reduce complaints and actions against the Council;
- Minimise the number of incidents which require internal investigation;
- Reduce the cost of insurance and incidence of claim.

These objectives will be achieved by:

- Embedding risk management within the culture of the Council via the business planning process;
- Raising awareness of the need for effective risk management by all those connected with the delivery of services through advice and training;
- Establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- Introducing risk management systems and processes which conform with best practice;
- Providing opportunities for shared learning on risk management across the Council;
- Introducing a mechanism for allocating resources to identified priority risk areas;
- Incorporating risk management in all substantive service developments and projects;
- Monitoring risk management arrangements on an ongoing basis.

### **ROLES & RESPONSIBILITIES**

#### **Elected Members**

To consider and approve the Council's policies and procedures with regard to risk management and to apply the principles in their own decision-making.

To hold Strategy Group to account for the effective management of risk by officers of the Council.

### **Audit Committee**

To monitor the effective development and operation of risk management and corporate governance in the Council.

To review and contribute to the Annual Governance Statement, incorporating risk management.

### **Strategy Group**

To ensure that the Council manages risk effectively through the development of appropriate policies and processes and to monitor delivery through reports from the Corporate Improvement Board.

To consider the strategic risks affecting the Council and oversee the compilation and maintenance of the Strategic Risk Register.

### **Corporate Improvement Board**

To develop, implement and review the framework for managing business risks in accordance with best practice.

### **Audit & Risk Manager**

To co-ordinate and facilitate the activities of the Corporate Improvement Board in relation to risk management.

To assist with the development of the Council's risk management framework and ensure that information and advice on risk and risk management best practice are shared throughout the Council.

### **Directorate Management Teams**

To ensure that risk is managed effectively in each service area.

To undertake risk assessments for any key projects in the Corporate Strategy for which they have overall responsibility.

### **Employees**

To manage risk effectively in their job and report opportunities / risks to their service managers.

To undertake their job within risk management guidelines.