

**Agenda Item: 7**

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**Meeting:** Audit Committee

**Date:** 6 April 2009

**Subject:** Risk Management Strategy and Working Practices

**Report of:** Director of Corporate Resources

**Summary:** The report proposes that the Audit Committee agrees with the Corporate Risk Management Strategy and approves the working practices that will deliver that strategy.

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Contact Officer: Nick Murley, Assistant Director of Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

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**RECOMMENDATIONS:**

1. **That the Audit Committee:**
  - (a) **Agree and endorse the Corporate Risk Management Strategy attached at Appendix A.**
  - (b) **Approve the Corporate Risk Management Working Practices attached at Appendix B.**

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**Background**

1. This report represents the Council's approach to managing risk throughout the organisation. The Corporate Risk Management Strategy is aligned to best practice and Audit Commission/CIPFA guidelines. In particular consideration has been given to the Comprehensive Area Assessment (CAA) for Use of Resources framework to ensure that the strategy exceeds the highest requirements.
2. The strategy sets out the overarching principles of how Central Bedfordshire Council will manage its risk whilst the working practices set out how to identify, assess, address, review and report on risk. This will be monitored using the JCAD Risk software with web-enabled access for all risk owners.

## What is Risk Management?

3. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.
4. Risk management implies adopting a planned and systematic approach to the identification, evaluation and economic control of those risks which can threaten the assets or financial and organisational well-being of the Council. It is means of minimising the costs and disruption to Council caused by undesired events. The aim is to reduce the frequency of risk events occurring, wherever possible and minimise the severity of their consequences if they do occur.
5. Risk management covers the whole spectrum of risks not just those associated with finance, health and safety and insurance. It also includes risks associated with public image (reputation), the environment, technology, breach of confidentiality, etc.
6. Risk management is not about being risk adverse – it is about being risk aware. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives.
7. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities.

## Benefits of Risk Management

8. **Improved Strategic Management**
  - Greater ability to deliver against objectives and targets
9. **Improved Operational Management**
  - Reduction in interruptions to service delivery
  - Reduction in managerial time spent dealing with the consequences of a risk event having occurred
  - Improved Health & Safety of those employed, and those affected, by the Council's undertaking
10. **Improved Financial Management**
  - Better informed financial decision-making
  - Enhanced financial control
  - Reduction in the financial costs associated with losses due to service interruption, litigation, etc.
  - Reduction in insurance premiums
11. **Improved Customer Service**
  - Minimal service disruption to customers and a positive external image as a result of all of the above

## 12. **Assurance and Improved Governance**

- Assurance to members and management on the adequacy of arrangement for the conduct of business and use of resources
- Demonstrates openness and accountability to various inspectorate bodies and stakeholders
- Allows directors to annually certify as to the effectiveness of the internal controls within their service area.
- Demonstrates that senior officers are actively identifying key risks, reviewing appropriateness and effectiveness of key controls against these risks, and are able to highlighted areas of significant control weaknesses.

## **Central Bedfordshire's approach to managing risk**

13. The approach to managing risk outlined in the Corporate Risk Management Strategy provides a vision of what we are aiming for, summarised below:

**Risk management is not simply a compliance issues, but rather a way of viewing our operations with a significant impact on long-term viability. It is critical to success and is a focal point of senior management and elected members. It helps the Council demonstrate openness, integrity and accountability in all its dealings.**

14. It is vital that the Council develops the use of risk management in our dealing with third parties such as through partnerships, contracts, major procurements and other public sector organisations. While these areas contain significant risks for the Council they also have the potential to provide significant benefits if well managed. The use of risk management to mitigate risks while also exploring opportunities is key to ensuring that these working arrangements contribute positively to the Council's service delivery.
15. The working practices set out how the council will organise its risk management activity assigning the roles and responsibilities of individuals, Members, committees and the Corporate Risk Management Group.
16. It sets out the methodology for capturing the risks and how they are assessed and what current action plans are in place to achieve the strategic outcomes.

## **Conclusion and Next Steps**

17. Risk management is critical to the effective overall management of the Council. In addition to offering cost savings, risk management can reduce service disruption and enhance the experience of stakeholders dealing with the Council. It can help minimise the exposure of the Council to negative publicity and costly litigation. Managing risk can be used to encourage innovation, on the basis that risks are reduced to acceptable levels
18. Many of the skills and resources need to manage risk effectively already exist in the Council. This strategy offers a more structured approach to risk management.

19. The strategy will only be as effective as the working practices that support it and therefore, as part of its role under the Constitution, the Audit Committee is asked to consider and approve these.
20. The working practices set out above are an initial framework so that we can begin to actively embed risk management throughout Central Bedfordshire. We will look to measure its effectiveness over the coming months and develop it further where necessary.

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

The Corporate Risk Management Strategy and working practices will support all of the Council Priorities.

### **Financial:**

Although there are no direct financial consequences of the report, the outcome of implementing the risk management strategy and the working practices is to establish a risk framework so that the Council is able to effectively manage its risk thereby increasing protection from adverse events.

### **Legal:**

None

### **Risk Management:**

None specifically. The above strategy and working practices will be developed to facilitate a risk based approach for all council activities.

### **Staffing (including Trades Unions):**

None

### **Equalities/Human Rights:**

None

### **Community Development/Safety:**

None

### **Sustainability:**

None

### **Appendices:**

Appendix A – Corporate Risk management Strategy

Appendix B – Corporate Risk Management Strategy Working Practices

### **Background Papers (open to public inspection):**

Constitution of Central Bedfordshire

Report to the Shadow Executive on 17<sup>th</sup> February 2009 – Corporate Risk Management Strategy