

# Accounts, Audit and Risk Committee

## Risk Management Principles and Core Risks

13 December 2010

### Report of Corporate Strategy and Performance Manager and Risk Management & Insurance Officer

#### PURPOSE OF REPORT

To endorse the underlying principles of risk and opportunity management, to update the Committee on the management of Strategic, Corporate and Partnership Risks (Core Risks) and endorse the proposed reporting timetable for 2011/2012.

This report is public
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#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to endorse:

- (1) The underlying principles for risk management.
- (2) The Strategic, Corporate and Partnership (Core) Risk Register
- (3) The proposed reporting timetable to the Executive and the Accounts Audit & Risk Committee 2011/2012.

#### Summary

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##### 1. Introduction

- 1.1 In advance of 2010/11 we carried out a thorough review of our risks. This gave us the opportunity to consider the underlying principles of our overall approach to managing risk.
- 1.2 In April we integrated a high level strategic risk register with performance management using PerformancePlus, the Council's corporate performance management tool. This move allows an integrated approach to managing risk and organisational performance and rationalises the administration involved.
- 1.3 Risks are reviewed monthly and monitored by the Corporate Management Team. There is effective oversight by members through the Executive and the Accounts Audit & Risk Committee.

1.4 The report sets out the following:

- The underlying principles by which we manage risk in the Council.
- The Corporate Risk Register for 2010/11 at 31 October 2010.
- The proposed timetable for reporting risks to the Executive and the Accounts Audit & Risk Committee 2011/2012.

### Proposals

1.5 **Underlying Principles.** It is proposed that the following principles continue to be adopted for the management of risk:

- **Core Risks.** There are cores of risks that have organisation wide significance. These are recorded in the Council's Risk Register and are monitored and reported through the corporate Performance Management Framework. The core risks are the strategic and corporate risks (see definitions below). Also included are some partnership risks which, although operational by nature, are included in the Corporate Risk Register because of the high priority we give to improving partnership working.
- **Operational Risks.** In addition to the core risks, individual managers manage locally any operational risks they believe could affect the delivery of services in their area. These may be stored on Performance Plus and monitored locally. They will not be monitored corporately through the Performance Management Framework.

**Type of Risk** Questions have been raised about the difference between Strategic, Corporate, Partnership and Operational risks. In practice there will always be areas of overlap between them. Our definitions are as follows:

- **Strategic.** These are risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.
- **Corporate.** These are risks to corporate systems or processes that underpin the organisation's overall operation and ability to deliver services.
- **Partnership.** These are the risks to a partnership delivering services or meeting other objectives.
- **Operational.** Risks specific to the delivery of individual services.

**Net Risk.** This is a measure of impact x likelihood after the proposed mitigating actions have been taken into account. This is given a score using a 5 x 5 matrix which can then range from 1 to 25.

1.6 **Risk Register 2010/11.** Following a full scale review of the Risk Register in 2009/10 there are now 19 risks on the corporate risk register: 8 Strategic, 7 Corporate and 4 Partnership risks (Appendix 1). Although fewer in numbers than in previous years, in practice this has had the effect of making the

Council focus on the most significant risks to the organisation. This is especially important in view of the current economic pressures on service delivery and the Council's finances.

- 1.7 **Reviewing the Risks.** Strategic, Corporate and high level Partnership risks are reviewed monthly. The contents of the Risk Register as a whole are reviewed at least annually to ensure its contents reflect current priorities and circumstances.
- 1.8 **Operational Risks.** Operational risks are managed locally. As with local performance indicators, any issues arising from these operational risks may be escalated up the Performance Management Framework to the Corporate Management Team and the Executive.

**Reporting Arrangements.** For 2011/12 the reporting of the Strategic/Corporate Risk Register will continue to be integrated into the quarterly performance report to the Executive. It is proposed that the performance of risks on the Strategic/Corporate Risk Register is also reported quarterly to the Accounts, Audit and Risk Committee.

### **Conclusion**

- 1.9 Since 1 April 2010 we have introduced a number of significant changes to the way we manage risk in the Council. These changes were built on an already strong performance that has been recognised by the Audit Commission. By integrating risk and performance management we have a clearer understanding of the risks which may prevent the Council achieving its strategic objectives. In improving the accountability to members we have taken the management of risk to a higher stage of development.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 To endorse the overall approach to managing risks and opportunities and to provide a clear focus on the risks which may prevent Council delivering its core strategic objectives.
- 3.2 To consider the Strategic, Corporate and Partnership Risk Register
- 3.3 To note the proposed reporting timetable to the Executive and the Accounts Audit & Risk Committee for 2011/2012.

The following options have been identified. The approach in the recommendations is believed to be the best way forward.

**Option One** To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive.

**Option Two** To reject the current approach and report any concerns arising to the Executive.

## Implications

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- Financial:** The Council has identified the impact of the current economic climate and CSR on the Council's ability to deliver its corporate priorities as a Strategic Risk. There is also a Corporate Risk arising from the Council's ability to fund its activities because of a reduction in investment income or income from other capital assets such as buildings.  
Comments checked by Karen Curtin, Head of Finance, 01295 221551
- Legal:** There are no direct legal implications arising from this report but the Council has to ensure it is aware of any risks to its delivering what is required by law.  
Comments checked by Liz Howlett, Head of Legal and Democratic Services, 01295 221686
- Risk Management:** There are no direct risks associated with this report. However, if core risks or opportunities are not regularly monitored and reviewed, especially in the current financial climate, there is a danger of the Council not achieving its corporate objectives.  
Comments checked by Rosemary Watts, Risk Management & Insurance Officer , 01295 221566

## Wards Affected

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All

## Corporate Plan Themes

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All

## Document Information

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Appendix No	Title
Appendix 1	Corporate Risk Register 2010/11 (31 October 2010)
<b>Background Papers</b>	
None	
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