

RISK MANAGEMENT & CORPORATE GOVERNANCE REPORT APRIL 2002 – MARCH 2003.

“Organisations with good corporate governance have the capacity to maintain high-quality services and to deliver improvement.” (1)

1. INTRODUCTION

Risk is now widely defined as any occurrence that could threaten the achievement of an organisation’s objectives, including reputational risk and risk of litigation, as well as the physical risks traditionally mitigated by such measures as training and insurance. This presupposes that aims and objectives are clear, understood and disseminated to Members, staff and the public. Hart’s Corporate Plan, together with a much clearer political direction, has ensured that Members, staff and the public are more aware of corporate objectives than in previous years.

2. Corporate Governance includes Risk Management but covers all areas where it is essential for a public body to be open, effective and inclusive, as well as acting with integrity and being accountable. Hart has defined Corporate Governance as “The way in which the Council conducts itself so as to (a) deliver effective services to all residents and (b) provide and openly demonstrate efficient stewardship of public funds.” (2)

3. Strands of Corporate Governance include Data Protection, Freedom of Information, Human Rights, Equalities, Standards of Conduct and a raft of other strategies, plans and policies, designed to ensure that Hart does things properly and is seen to do so. This is the first time in Hart that a summary of Risk Management and Corporate Governance issues has been included in Hart’s Annual Report.

4. RISK MANAGEMENT 2002/03

The purpose of Risk Management is to identify any risks and consider which should be accepted, which avoided and which mitigated. The Council adopted a simple Risk Management Strategy in January 2002. This required key risks to be identified in Service Plans, which were required for all services. The Council also required that key risks be identified and assessed before making decisions and that each Annual Report should include this report on Risk Management.

5. SERVICE PLANS

Service Plans were produced for all the main areas of the Council’s operations during 2002/03. These set out the risks identified, although guidance was limited and the level of detail was rather variable. Training on service planning, including coverage of a more consistent approach to risk management and performance management in general has been commissioned for late 2003.

6. IDENTIFICATION OF KEYS RISKS BEFORE DECISIONS ARE TAKEN

Committee reports now require the identification and assessment of risks and any other Corporate Governance issues. The quality of this section

of reports improved gradually in 2002/03. There is still more to be done to raise awareness and ensure universal compliance and consistency. Risk assessment was also much more prominent in Management Team and other staff meetings, where decisions were increasingly based on cost/benefit and risk analysis.

7. EXAMPLES OF KEY RISK EVENTS 2002/03

A 'key risk event' is something that has happened relating to an identified risk which could prevent corporate, service or individual goals being achieved.

- The very low level of Revenue Support Grant provided by Central Government and the commitment of the Council not to penalise residents by levying Council Tax rises above the rate of inflation caused some difficulties in the budget process. Some hard decisions had to be made on which budgets to reduce to produce a balanced budget for 2003/04. One decision (closing the public toilets) caused major reputational damage via the local press and this decision was rightly reversed. The strength of public feeling relating to the policy had not been adequately identified and mitigated.
- The new Revenues and Benefits system suffered further delays, necessitating urgent action to ensure that the existing LOGOS system could be used during 2003/04. These problems are not yet resolved as at November 2003, although a cross cutting team is actively seeking alternative solutions. Despite earlier delays in implementation, Hart was not fully prepared for further problems and incurred additional costs and inconvenience.
- The adopted Management Plan for Odiham Common, which was endorsed by English Nature, was being partially implemented by fencing part of the Common. This followed a five-year temporary consent from the Secretary of State. The Council's application to extend and make permanent the fencing of the Common resulted, following local objections, in a Public Inquiry in February 2003. The application was rejected and the Management Plan can no longer be implemented. An amended plan must be produced and approval sought. An alternative Management Plan may have an adverse effect on future revenue requirements for the Common. Although changes in legislation and losing Appeals and Inquiries are identified as a risk, Hart underestimated the strength of local feeling and the ability of the Secretary of State to change his mind!
- Continuing reliability problems were experienced with the refuse collection vehicles. Missed bins totalled 2889 per 100000 against a target of 58. The extent of the breakdowns was unexpected, as remedial action had been taken following earlier mechanical failures.

Each of these examples demonstrates a learning opportunity for the Council to identify the risk more explicitly and to predict the consequences. The need for a formal Risk Register has been clearly demonstrated (See Paragraph 23).

8. IMPROVEMENTS DURING 2002/03

- There were significant improvements in Performance Management (see Paragraphs 11 and 12).
- Internal Audit now has an escalation procedure so that agreed recommendations can be referred upwards to ensure that they are implemented.
- Committee minutes now include 'action points' which clarify what is expected of whom and by when. This reduces the risk that required actions are missed.
- A comprehensive Corporate Complaints' Policy has been launched. This, when fully implemented, which will ensure consistency in dealing with complaints and ensure a speedier and more focused response.

9. CORPORATE DISASTER RECOVERY

Hart made some progress on this during 2002/03 and a Business Continuity Group was set up in early 2003/04 to take these issues forward.

10. INSURED RISKS

Hart's claims experience in 2002/03 was satisfactory, with no serious losses. Improvement was, however, requested and achieved in relation to vehicle claims on which a review was undertaken and recommendations for minimising risks were put in place. Due to the generally good claims record, none of Hart's premiums are currently 'loaded.'

11. CORPORATE GOVERNANCE – PERFORMANCE MANGEMENT

Performance Management is about providing transparent links between the objectives of the organisation, teams within the organisation and the tasks and targets of individuals – the 'golden thread.' The Corporate Plan (now under review) provides the overall ambition and objectives of the Council. As previously described, Service Plans are now universally produced and these provide team and unit objectives. The tasks and targets of individuals are provided by twice-yearly appraisals with their line manager. This process was much improved in 2002/03 compared with previous years.

12. Performance Management also includes monitoring of services via, in particular, Performance Indicators (PIs), budget monitoring and scrutiny. The mechanisms for producing, collecting and reporting PIs have been improved to ensure better accuracy and timeliness. There were, however, a number of the PI's which were seen as unreliable by External Audit. These should be largely addressed due to the introduction of a new Human Resources computer system. There is now a clear and explicit framework for performance monitoring, involving individual Cabinet Members, the Cabinet as a whole, Scrutiny Committee and management (3).

13. CORPORATE GOVERNANCE – FREEDOM OF INFORMATION

Under the provisions of the Freedom of Information Act 2000, Hart was required to produce a Freedom of Information Publication Scheme by 31st

December 2002 for approval by the Information Commissioner by 28th February 2003. This is a new requirement to make as much of our information as possible available easily and freely/very cheaply to anyone who wants it. The Scheme was approved and formally adopted within the statutory time frame. The Council is now working on developing its records management systems and in developing and delivering training before the full force of the legislation applies from 1st January 2005.

14. CORPORATE GOVERNANCE – LOCAL CODE

Hart has embraced best practice by adopting a Local Code of Corporate Governance in line with the guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) (4). Work and consultation on this began in 2002/03 but was concluded and formally adopted early in 2003/04. An Internal Audit review of Corporate Governance was undertaken and the recommendations from that review are being implemented as necessary.

15. CORPORATE GOVERNANCE – OTHER

- Community Focus. The Council's community newspaper (Hart News) has been increased to four editions each year. It is now distributed to **all** households and is the Council's main local vehicle for keeping residents informed and for consulting the public on topical issues. More needs to be done to encourage response to these consultations, as the response so far has been disappointing. Customer Satisfaction Surveys are used as required by Central Government and these have had encouraging response rates. Public speaking and questions are encouraged at appropriate meetings (principally Full Council and Planning Committee).
- Equalities. Hart is an Equal Opportunities Employer and there are good procedures in place to ensure that new employees are selected without reference being made to gender, disability, sexual orientation, colour, race, creed etc. There is, however, little proactivity in monitoring and raising awareness. The Human Resources team plans to raise the profile of equalities in 2004.
- Human Rights. Officers are well aware of Human Rights considerations in particular situations e.g. when dealing with illegally encamped travellers. More corporate guidance is required as well as evidence and monitoring that Human Rights issues are being considered automatically and systematically when decisions are made.
- Standards of Conduct. Hart has a Standards' Committee, a protocol for Member/Officer relationships, an e-mail/Internet policy, a fraud, corruption and whistleblowing policy etc. Our ongoing task is to educate staff and Members to use these as necessary as day-to-day tools in their work.

16. STAFF AND GENERAL PURPOSES COMMITTEE (S&GP)

Although it had been usual for some issues of Corporate Governance to be reported to Members, this was not systematic and largely took the form of regular update reports and plans from Internal and External Audit. For

External Audit reports from the 2002/03 financial year onwards, the auditors are required to report to “those charged with governance” as well as “management.” (5). This provided an opportunity to follow best practice and S&GP was charged with considering all major aspects of Corporate Governance, although the relevant Cabinet Member can decide certain minor issues. The Constitution requires updating to reflect these new responsibilities.

17. SCRUTINY

Many local authorities have found the Scrutiny function required by the Local Government Act 2000 to be problematic. Hart initially had five Policy Review Panels but, following detailed consideration by the Democratic Structures Working Party (DSWP), this was reduced to three for 2002/03. This was designed to allow for larger Panels to facilitate more in depth work on both Policy formulation and Scrutiny. The DSWP was still concerned that Scrutiny was less well undertaken than Policy formulation and decided, during 2002/03, that there would be one Policy Panel and a separate Scrutiny Committee for the 2003/04 Municipal Year. The long consideration by Members and the ‘tweaking’ of the arrangements illustrates Hart’s determination to find an arrangement which facilitates active Scrutiny of the Executive, management and services.

18. OTHER ARRANGEMENTS UNDER THE 2000 ACT

Hart has a written Constitution, including Standing Orders, Codes of Conduct etc and a Standards Committee. The Constitution is subject to annual review and staff are aware that improvements need to be made constantly to maintain it as a comprehensive and up to date working document. We need to ensure that there is a clear timetable for those major improvements that require greater resources than the normal annual review (e.g. Contract Standing Orders).

19. 2003/04 AND BEYOND - TRAINING & AWARENESS RAISING

The Corporate Governance Framework is now largely in place but Hart acknowledges that, in many areas, there is a need for culture change and buy-in to the various parts of the framework. To assist with this, a series of ‘Brief Bites’ training sessions on aspects of Corporate Governance was undertaken in spring/summer 2003. In addition, all staff were invited to complete a learning questionnaire on Corporate Governance in April 2003.

20. 2003/04 AND BEYOND – COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA)

Hart had firm plans in place to ensure that the CPA process would be managed to ensure the best possible outcome for the Council. This should ensure good publicity and improve staff morale.

21. 2003/04 AND BEYOND – OFFICER RESTRUCTURING

Plans were put in place for an officer restructuring designed to streamline management, increase capacity and improve the responsiveness of the Council to our customers.

22. 2003/04 AND BEYOND – FINANCE

Hart remains short of both revenue and capital funds. The Council's Medium Term Financial Strategy continues to resist Council Tax increases above the general rate of inflation. This will increase pressure for more efficient working and implementation will need to be managed very carefully to ensure corporate capacity is not reduced and statutory services are delivered as required.

23. 2003/04 AND BEYOND – RISK REGISTER

The Authority plans to produce a formal 'risk register,' listing and assessing key risks. This will be based initially on the strategic risks identified by Management Team and in 2004/05 Service Plans.

References: -

1. 'Corporate Governance – improvement and trust in local public services,' Audit Commission, 2003. (Paragraph 14.)
2. Hart's Local Code of Corporate Governance.
3. Cabinet 3 September 2003, Paper E.
4. 'Corporate Governance in Local Government,' CIPFA/SOLACE, 2001.
5. Statement of Auditing Standard 610.