SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Leader and Cabinet	14 June 2007
AUTHOR/S:	Chief Executive / Finance Project Officer	

RISK MANAGEMENT

Purpose

1. The purposes of this report are for Cabinet to review and agree:
    (a)   the risk management process in operation at the Council;
    (b)   the strategic risks prioritised for the Council;
    (c)   the action plans in place to address risks above the Council's tolerance line; and
    (d)   the further actions being taken to embed risk management within the Council

Background

2. The Council's overall objective in risk management is to eliminate or control significant risk to an acceptable level. This starts with the identification and control of the top strategic risks facing the Council from a corporate perspective.

3. Each of the top identified strategic risks facing the Council is described in a Risk Scenario, setting out:
    (a)   the "Vulnerability" or background of the Council in the area of risk identified;
    (b)   the "Trigger" or issue which might cause the Vulnerability to be exposed; and
    (c)   the "Possible Consequence(s)" which might result.

4. The Risk Scenarios are then assessed on a Prioritisation Matrix, which identifies the Council's 'biggest' risks – those most in need of action. The Risk Scenarios are then listed on the Strategic Risk Register in order of priority.

5. The Council's Risk Tolerance Line, depicting the Council's 'appetite' or willingness to accept risk, is plotted on the Prioritisation Matrix. Those assessed risks that fall 'above the line' are considered to require further management action.

6. Management Action Plans are prepared/updated in conjunction with appropriate officers and progress against these is monitored.

7. At its meeting on 12 October 2006, Cabinet agreed:
    (a)   the risk management process then in operation at the Council, including the requirement for Cabinet and other relevant Members to participate in associated training (see paragraphs 8 to 11 below);
    (b)   the utilisation of staff trained in risk management to assist service managers in compiling and managing future service area risk registers, incorporating significant operational risk matters arising in those service areas (paragraph 12).

8. On 16 November 2006, the Council's insurers ran a seminar for Members, to inform them of risk management principles and techniques and engage them in the process in operation at the Council. Nineteen Members attended. One of the outcomes from

the seminar was that consideration would be given to the role of Scrutiny and Overview Committee in risk management.

9. In considering the draft Portfolio Holder Forward Plan at the Portfolio Holder Meeting on 21 November 2006, the Resources, Staffing, Information and Customer Services Portfolio Holder agreed that the corporate strategic risk register would be reported to Scrutiny and Overview Committee and Cabinet on a twice-yearly basis, when appropriate.

10. At its meeting on 25 January 2007, Council resolved to approve revised terms of reference for Audit Panel, including:
    (a) "To review and advise the Council on the embedding and maintenance of an effective system of corporate governance, risk management and internal control."
    (b) "To give assurance to the Council that there is a sufficient and systematic review of the corporate governance, risk management and internal control arrangements within the Council."
    As a consequence, the corporate strategic risk register would be reported to Audit Panel and Cabinet twice yearly, when appropriate.

11. Until recently, the Council's corporate Strategic Risk Register was reviewed and assessed by the Risk Management Group (RMG), comprising relevant officers from across the authority, on a six-monthly basis. At its meeting on 25 April 2007, Executive Management Team (EMT) decided that it is a more appropriate forum to review the Strategic Risk Register, on a quarterly basis, reporting to Cabinet and Audit Panel (now Corporate Governance Committee). (EMT comprises the Chief Executive, Executive Director, Corporate Managers, Principal Solicitor and HR Manager.) (Note: While two of the corporate manager posts are unfilled, the previous members of the RMG will continue to have a role in assisting with the consideration and assessment of corporate strategic risks facing the Council.)

12. Service managers prepared service area risk registers alongside their service plans for 2007/08. This was an iterative process, in that actions to manage significant service area risks were included in the service plans, while aspects of the service plans that had particular risks associated with them were included in the service area risk registers. In addition, corporate strategic risks can be cascaded down to service area risk registers if they relate to particular service areas, and service area risks can be escalated up to the Strategic Risk Register if they have a significant corporate effect.

Considerations

Strategic Risk Scenarios, Prioritisation Matrix, Strategic Risk Register and Management Action Plans

13. The current strategic risks facing the Council were considered by EMT at its meeting on 23 May 2007 and are described in the Risk Scenarios shown in **Appendix A**. (The dotted line shows the Council's Risk Tolerance Line.)

14. EMT assessed the potential Impact and Likelihood of these risks occurring on the Prioritisation Matrix (**Appendix B**). (The dotted line shows the Council's Risk Tolerance Line; the numbers cross reference to the numbered Risk Scenarios and give the order of priority of the assessed risks.)

15. The resulting Strategic Risk Register is shown in **Appendix C**, with related corporate objectives and/or annual priorities noted against each risk. (The dotted line shows the Council's Risk Tolerance Line.)

16. Management Action Plans have been updated/prepared for the corporate strategic Risk Scenarios that fall 'above the line' on the Prioritisation Matrix, in conjunction with the officers named on the Strategic Risk Register (**Appendix D**).

Training

17. The Use of Resources Key Line of Enquiry (KLOE) level 3 assessment requires that, "The members with specific responsibility for risk management have received risk management awareness training." Arrangements will be made to give training on risk management to Cabinet and Corporate Governance Committee Members who were not trained on 16 November 2006. The Loss Control Allowance available under the Council's current insurance arrangements will cover the cost of this.

18. The Use of Resources KLOE level 4 assessment requires that, "All members receive risk management awareness training." Training for other Members will be considered after the above training for Cabinet and Corporate Governance Committee has been delivered.

CGI report

19. The CGI report published on 8 February 2007 found that the Council's arrangements for internal control and risk management are fair and meet minimum requirements. However, the Audit Commission was concerned that the Council was not managing risk effectively, in particular that there was insufficient attention paid to reputational risks and that Members did not always take account of identified risks in reaching decisions.

20. The following actions are proposed to meet the Audit Commission's concerns:
    (a)   reputational risks will be given more direct consideration and specifically mentioned in the corporate strategic risk register;
    (b)   the Risk Management Implications section of reports to Members will be improved and strengthened, so that risks (including reputational) are clearly identified, with an assessment of their potential impact and likelihood and, where they are above the Council's risk tolerance line, details of actions (being) taken to mitigate their occurrence or effect;
    (c)   the Member who is to present the report will be briefed on the potential risks identified, which should be referred to in the meeting and Members' consideration of risks identified should be minuted.

Internal Audit

21. Internal Audit reviewed the Council's risk management arrangements in April 2007, with recommendations in the following areas:
    (a)   review the Risk Management Strategy – the Strategy will be reviewed now that Cabinet responsibilities have been allocated and the Council's governance arrangements have been confirmed;
    (b)   approve terms of reference for the RMG – EMT will consider terms of reference regarding risk management;
    (c)   regular review of service area risk registers – this will be included in the review of the service plan process;
    (d)   develop procedures to review risks that occur – EMT will consider this;

(e)	document RMG meetings – the outcome of EMT meetings is included in reports to Cabinet and Corporate Governance Committee;
(f)	regular review of progress against management action plans – EMT will review progress on a quarterly basis;
(g)	bi-annual reports to Cabinet and Scrutiny and Overview Committee and/or Audit Panel – reports will go to Cabinet and Corporate Governance Committee, at least bi-annually;
(h)	develop targets for implementation of risk management – EMT will consider targets.

Partnership risk management

22.   One audit focus of the Use of Resources KLOE on risk management is evidence that the Council's risk management system covers partnership working. The level 3 assessment requires that, "The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks."

23.   The Improvement Manager has commissioned a review of the partnerships with which the Council is involved, in order to identify the significant partnerships and assess their risk management arrangements. It is possible that the Council's insurers will assist in assessing the risk management arrangements; the cost would be met through the Loss Control Allowance.

Options

24.   In reviewing how risk management operates at the Council, Cabinet could make any suggestions it considers necessary to improve or enhance the process.

25.   In reviewing the strategic risks prioritised for the Council, Cabinet could:
- (a)   add to, delete, or make other changes to the Risk Scenarios (Appendix A), in terms of either their title or detail;
- (b)   alter the prioritisation of Risk Scenarios on the Prioritisation Matrix (Appendix B), in terms of either their Impact or Likelihood;
- (c)   move the Risk Tolerance line plotted on the Prioritisation Matrix;
- (d)   add to, delete, or make other changes to the Management Action Plans (Appendix D), in terms of their detail.

26.   In considering the proposals to further improve risk management, Cabinet could make suggestions regarding:
- (a)   further training for Members (paragraphs 17 and 18);
- (b)   Members' consideration of risks (paragraph 20);
- (c)   enhancements to the risk management process (paragraph 21); or
- (d)   partnership risk management (paragraph 23).

Implications

<table>
<tr><td rowspan="1">27.</td><td>Financial
Legal</td><td>There are no immediate financial or legal implications resulting from this report.
The training mentioned in paragraph 17 will be covered by the Loss Control Allowance available under the Council's insurance arrangements, as will any assistance on partnership risk management mentioned in paragraph 23.
Some of the Management Action Plans may have financial or legal implications; if so, these will be considered either in separate reports to appropriate forums, or within the Service Plan process.</td></tr>
<tr><td></td><td>Staffing</td><td>Members should be aware that officers have made considerable efforts to manage risks identified as a priority.
There are no immediate staffing implications resulting from this report, although some of the Management Action Plans may have staffing implications - if so, these will be considered either in separate reports to the appropriate forums, or as part of the Service Plan process.</td></tr>
<tr><td></td><td>Risk Management</td><td>Risk management is undertaken regularly in order to minimise the possibility of the Council being adversely affected should either an unforeseen risk arise or an assessed risk not be properly planned for.</td></tr>
<tr><td></td><td>Equal Opportunities</td><td>The Council's risk management process has no inherent equal opportunities implications; however, Members will note that Equalities is included as a risk area on the strategic risk register.</td></tr>
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Consultations

28.   EMT, the previous members of the RMG and the Improvement Manager were consulted regarding various aspects of this report.

29.   There will be liaison with appropriate officers regarding the updating/preparation of Management Action Plans.

Effect on Annual Priorities and Corporate Objectives

<table>
<tr><td>30.</td><td>Affordable Homes
Customer Service
Northstowe and other growth areas
Quality, Accessible Services
Village Life
Sustainability
Partnership</td><td>The proposals in this report contribute to the Council's corporate governance responsibilities; they also ensure that strategic risks involved in the delivery of the Council's Corporate Strategy and meeting the Corporate Objectives and Annual Priorities are identified and managed.</td></tr>
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Conclusions/Summary

31.   EMT has continued the process previously carried out by the RMG, of identifying corporate strategic Risk Scenarios facing the Council, prioritising these on the Prioritisation Matrix, producing the resulting Strategic Risk Register and identifying the Risk Scenarios above the Risk Tolerance line for which Management Action

Plans have been prepared. This will enable the Council to manage those risks to an acceptable level.

32. The Council has taken further steps to embed risk management, by:
    (a) providing training to Members (paragraph 8);
    (b) strengthening corporate governance arrangements (paragraphs 9 to 10);
    (c) increasing the frequency at which corporate strategic risks are reviewed (paragraph 11); and
    (d) linking service area risk registers to the associated service plans (paragraph 12).

33. Risk management will be further improved by:
    (a) giving further training to Members, as outlined in paragraphs 17 and 18;
    (b) enhancing consideration of risks, including reputational (paragraph 20);
    (c) strengthening the risk management process along the lines of Internal Audit's recommendations (paragraph 21); and
    (d) implementing partnership risk management arrangements (paragraph 23).

Recommendations

34. Cabinet is recommended to approve:
    (a) the risk management process in operation at the Council, as set out in this report, including training for Cabinet and Corporate Governance Committee Members (paragraph 17);
    (b) the Risk Scenarios provided at Appendix A, the Prioritisation Matrix (Appendix B), the Strategic Risk Register (Appendix C) and the Management Action Plans (Appendix D);
    (c) the proposals to enhance consideration of risks (paragraph 20), strengthen the risk management process (paragraph 21) and implement partnership risk management (paragraph 23).

Background Papers: the following background papers were used in the preparation of this report:
    Cabinet minutes, 12 October 2006
    Resources, Staffing, Information and Customer Services Portfolio Holder meeting minutes, 21 November 2006
    Council minutes, 25 January 2007
    Use of Resources KLOE, Audit Commission
    CGI report, 8 February 2007
    Internal Audit report, April 2007

Contact Officer: John Garnham – Finance Project Officer
                   Telephone: (01954) 713101