

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee
AUTHOR/S: Chief Executive / Finance Project Officer

26 September 2007

RISK MANAGEMENT

Purpose

1. The purposes of this report are for Corporate Governance Committee to review and agree:
 - (a) an updated risk management strategy for the Council;
 - (b) actions to address related matters;
 - (c) the strategic risks prioritised for the Council, together with management action plans to address risks above the tolerance line.

Background

2. The Council's risk management strategy was adopted in January 2004 and needed updating to reflect the authority's new political arrangements and management structure and the responsibilities of the Corporate Governance Committee regarding risk management. The opportunity has also been taken to revise the strategy to comply with best practice, based on guidance and advice from a range of sources, and in the light of experience of its operation.
3. At its meeting on 14 June 2007, Cabinet agreed:
 - (a) the risk management process in operation at the Council, including training for Cabinet and Corporate Governance Committee members;
 - (b) the risk scenarios, prioritisation matrix, strategic risk register and management action plans presented to it; and
 - (c) proposals to enhance consideration of risks, to strengthen the risk management process and to implement partnership risk management.
4. Cabinet asked that Executive Management Team (EMT) consider including flooding in the strategic risk register when it was next reviewed.
5. Suggestions and recommendations were made at the Corporate Governance Committee meeting on 29 June 2007, regarding:
 - (a) reassessing the risk of pandemic 'flu;
 - (b) including in the strategic risk register, risks related to:
 - (i) the new political leadership arrangements; and
 - (ii) extreme weather conditions, such as flooding caused by heavy rain;
 - (c) providing other risk logs referred to in the strategic risk register, for information;
 - (d) showing the titles of risks, rather than their reference numbers, in the prioritisation matrix;
 - (e) including more on the mitigation of risk; and
 - (f) opening the proposed risk management training to all Members.
6. At its meeting on 2 July 2007, EMT commissioned the Strategic Partnerships Officer (SPO) to carry out a review of external partnerships and feed the results back to Senior Management Team (SMT) for consideration in September 2007. The review

will look at the governance of partnerships and identify the level of risk involved with each partnership. The outcome of the review will be incorporated in the Council's risk management processes.

7. Bentley Jennison, the Council's new internal auditors, reviewed the Council's risk management arrangements in July 2007, with recommendations regarding:
 - (a) the revision and updating of the risk management strategy;
 - (b) terms of reference for EMT regarding its risk management role.

Considerations

Risk Management Strategy

8. The risk management strategy has been comprehensively reviewed and updated to take account of:
 - (a) the Council's new political arrangements and management structure;
 - (b) the responsibilities of the Corporate Governance Committee regarding risk management;
 - (c) the Audit Commission's Comprehensive Performance Assessment (CPA) Use of Resources, Key Lines of Enquiry (KLOEs);
 - (d) the Audit Commission's Corporate Governance Inspection (CGI) assessment criteria and comments in the CGI report published in February 2007;
 - (e) internal audit recommendations, from both Deloitte & Touche (April 2007) and Bentley Jennison (July 2007);
 - (f) best practice guidance and advice from other sources, notably East Cambridgeshire District Council.
9. Following the establishment of the Corporate Governance Committee with its wider remit, the question was raised as to the respective roles of Cabinet and Corporate Governance Committee. At its meeting on 13 September 2007, Cabinet agreed:
 - (a) subject to there being no adverse comments by the Council's internal and external auditors, to assign responsibility for risk management to the Corporate Governance Committee, with a review in one year's time;
 - (b) the revised risk management strategy, subject to the removal of 2.2 (d) (planning for the remedial actions to be taken in the event of risks occurring), and with delegated authority being given to the Chief Executive to make such changes to the Strategy as necessary to reflect the decision in (a) above, including the designation of the Chairman of the Corporate Governance Committee as Member Risk Management Champion;The draft revised risk management strategy has incorporated these changes.
(Note: Cabinet also agreed:
 - (c) to endorse Executive Management Team's role regarding risk management as set out in sections 8 to 10 of the revised strategy;
 - (d) to adopt the targets suggested for risk management;
 - (e) that adequate funding for risk management activities and training is available under the Council's insurance arrangements;
 - (f) that staffing resources identified in the revised strategy are suitable and appropriate for risk management activities and management; and
 - (g) the risk scenarios, the prioritisation matrix, the resulting strategic risk register and the management action plans, provided in Appendices D-G to the report.)
10. The draft revised risk management strategy is attached as **Appendix A**. A chart outlining the resulting risk management process is attached as **Appendix B**. If approved, the revised strategy and process will be communicated to staff by 31

October 2007 and implemented by 31 December 2007, i.e. it will be applied to the next quarterly review of the strategic risk register.

11. The draft revised strategy incorporates proposed changes to the formats of the strategic risk register, combining the current scenarios and register (Annex B to the strategy), and the action plan (Annex F). These changes are intended to streamline the documents and make them more useful and understandable. For example, the current risk scenarios consider “Vulnerability” (i.e. the background of the Council in the area of risk identified), “Trigger” (i.e. the issue which might cause the Vulnerability to be exposed) and the “Possible Consequences” that might result. This is not always the most straightforward way to describe potential risks. The proposed revised risk register would describe the potential risk event, *leading to* the consequence for the service/objective/priority affected, *resulting in* possible outcome(s). An example is attached as **Appendix C**. If approved, the new formats will be used in the next quarterly review.

Related matters

12. Terms of reference for EMT re risk management: The Council’s previous internal auditors, Deloitte & Touche, recommended that terms of reference for the then Risk Management Group (RMG) should be approved by Cabinet. The Council’s new internal auditors, Bentley Jennison, have recommended that appropriate terms of reference need documenting to clearly detail EMT’s responsibility regarding risk management. EMT’s proposed role is set out in sections 8, 9 and 10 of the revised strategy.
13. Minuting of EMT meetings: Deloitte & Touche also recommended that the then RMG meetings should be fully and formally documented. EMT does not currently formally minute its meetings; however, the Finance Project Officer (FPO) attends EMT for risk management items and records EMT’s discussions and decisions relating to risk management.
14. Targets: Deloitte & Touche recommended that targets for the implementation and embedding of risk management within the Council should be developed and monitored; Bentley Jennison have recommended that the risk management strategy should also include the Council’s approach to embedding risk management, including consideration of targets to monitor the embedding process.
 - (a) The revised strategy provides for: an annual review of the risk management strategy and process; quarterly reviews of risk registers and action plans; and training for staff and Members as and when appropriate. These may be regarded as targets.
 - (b) This report includes timeframes for: communicating and implementing the revised strategy and process (see paragraph 10 above); and for reporting the results of a review of external partnerships to SMT (paragraph 6). These may also be regarded as targets
15. Funding: Bentley Jennison recommended that the review of the risk management strategy should include ensuring that any funding required to implement risk management activities and training is made available. Funding is available under the Council’s insurance arrangements and, allowing for the Member training mentioned in paragraph 17 below, currently stands at £12,000, although this may also be used for other insurance etc related purposes.
16. Staffing resources: Bentley Jennison also recommended that an assessment should be undertaken to verify that suitable and appropriate staffing resources are available

for risk management activities and management. The revised strategy sets out staff roles and responsibilities, which have been developed and refined over time.

17. Training: Arrangements have been made for another risk management workshop, open to all Members, on the afternoon of Wednesday 17 October 2007. The cost of this will be met from funding available under the Council's insurance arrangements. It is also intended to arrange an in-house workshop for new members of staff involved in strategic or service area risk management.

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

18. Risks identified at the last review of the strategic risk register were reviewed with the nominated risk owners; members of EMT and previous members of the RMG were asked to raise potential new strategic risks facing the Council; relevant managers were asked to advise on flooding and the new political leadership arrangements as possible new strategic risks.
19. Service managers were asked for updates to their service area risk registers, to identify any significant, corporate or common risks to be considered for inclusion in the strategic risk register. There were no risks arising that need to be considered for inclusion in the strategic risk register.
20. Project managers were similarly asked for updates of their project risk logs. The strategic risk register includes the CGI Improvement Plan and Housing Futures projects.
21. EMT reviewed the resulting draft strategic risk register, as follows:
 - (a) Delivering the Medium Term Financial Strategy (MTFS): This remains a strategic risk and has been assessed at the highest potential impact and likelihood. At its October 2007 meeting, Cabinet needs to agree an effective policy for maintaining a balanced future MTFS. The previous 'Financial constraints/service pressure imbalance' risk has been integrated into this risk.
 - (b) CGI Improvement Plan: The likelihood of this risk occurring has decreased as the project plan is implemented.
 - (c) Planning for Growth: This risk continues.
 - (d) Equalities: The Council is progressing towards Level 1; however, the Council still faces potential risks in this area.
 - (e) Better Regulation Agenda: This risk is ongoing.
 - (f) Pandemic 'Flu: There is no change to the likelihood of this risk occurring or its potential impact.
 - (g) Housing Futures: The project plan is progressing and the likelihood and impact of this risk remain the same.
 - (h) Engagement in Local Area Agreement (LAA) process and outcomes: The likelihood of this risk has decreased with greater engagement.
 - (i) Recruitment & Retention: This risk is ongoing.
 - (j) Illegal Traveller Encampments or Developments: This risk has been expanded to include site developments.
 - (k) Choice Based Lettings: The potential impact of this risk has decreased.
 - (l) Flooding: Some Council services could be called upon to support the County Council and other agencies in their emergency planning roles. Some staff's journeys to work could be affected by flooding. This risk is predominantly covered by county-wide emergency planning arrangements and the Council's business continuity plans. Included in the strategic risk register.

- (m) The new political leadership arrangements: Any risks in this area are provided for by the Council's Constitution. Not included in the strategic risk register.
 - (n) Management capacity to deliver services as well as the Improvement Plan: Considered adequate over the period of the Improvement Plan. Not included in the strategic risk register.
 - (o) Managing the delivery of political priorities: Considered that managers need to discuss the implementation of priorities with Members, so that sufficient resources can be allocated and appropriate timeframes planned. Included in the strategic risk register as a likely risk in the short term.
22. EMT's decisions have been incorporated in the risk scenarios, prioritisation matrix and resulting strategic risk register, attached at **Appendices D, E and F**, respectively.
23. Management action plans prepared following the last review of the strategic risk register were reviewed with the nominated risk owners. Actions are proceeding in line with the plans, for example:
- (a) Delivering the MTFS: The Strategic Financial Diagnostic review has been undertaken.
 - (b) Better Regulation Agenda: Food safety and health & safety service plans refer to national priorities.
 - (c) Pandemic 'Flu: The annex to the business continuity plan has been agreed.
24. Service managers were also asked for updates on actions implemented to manage service area risks assessed above the tolerance line. Project managers were similarly asked for updates on countermeasures included in risk logs. Actions and countermeasures appear to be proceeding in line with service plans and risk logs.
25. The updated management action plans are attached at **Appendix G**. There are no management action plans for the CGI Improvement Plan and the Housing Futures risks, as these are already incorporated in those projects' risk logs. The risk logs for the Inspire Project and the Housing Futures Project are attached for information at **Appendices H and I**, respectively.

Options

26. In reviewing the draft revised risk management strategy (Appendix A), the Committee could suggest improvements or enhancements to the strategy, or the resulting process and formats.
27. In considering terms of reference for EMT regarding risk management (paragraph 12), the Committee could suggest amendments to the proposed role as set out in the draft revised risk management strategy.
28. In considering targets for risk management (paragraph 14), the Committee could agree other targets either in the strategy or as timeframes for implementing this report.
29. In considering funding for risk management activities and training (paragraph 15), the Committee could suggest further financial provision in an appropriate budget.
30. In considering staffing resources (paragraph 16), the Committee could suggest increasing the involvement of some officers in risk management or additional staffing for risk management.

31. In reviewing the strategic risk register, the Committee could:
- (a) add to, delete from, or make other changes to the risk scenarios (Appendix D), in terms of either their title or detail;
 - (b) alter the prioritisation of risk scenarios on the prioritisation matrix (Appendix E), 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 G), in terms of their detail.

Implications

32.	Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report. Some of the management action plans may have financial, legal or staffing implications; if so, these will be considered either in separate reports, or within the service plan process.
	Risk Management	The updated strategy will ensure that the Council has a strategy that complies with best practice, is effective and reflects the authority's political arrangements and management structure. 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.
	Equal Opportunities	The Council's risk management process has no inherent equal opportunities implications; however, Equalities is included as a risk area on the strategic risk register.

Consultations

33. Members of EMT, previous members of the RMG, risk owners, service managers and other relevant managers were consulted regarding various aspects of this report.
34. There will be liaison with officers as appropriate regarding the implementation of decisions made by the Committee regarding this report.

Effect on Annual Priorities and Corporate Objectives

35.	Affordable Homes Customer Service Northstowe and other growth areas Quality, Accessible Services Village Life Sustainability Partnership	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.
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Conclusions/Summary

36. The Council's risk management strategy needed to be revised and updated. The draft revised strategy complies with best practice and reflects the authority's new political and governance arrangements, management structure and risk management process.

37. The role of EMT set out in the draft revised strategy equates to appropriate terms of reference regarding its risk management responsibilities.
38. The provisions in the draft revised strategy and the timeframes included in this report may be regarded as adequate targets for risk management.
39. Adequate funding for risk management activities and training is available under the Council's insurance arrangements.
40. Staffing resources as identified in the draft revised strategy are sufficient for risk management activities and management.
41. Appendices D to G represent the risk scenarios, prioritisation matrix, strategic risk register and management action plans resulting from consultations and EMT's review.
42. The quarterly review of the strategic risk register and management action plans enables the Council to manage its strategic risks to an acceptable level.

Recommendations

43. The Committee is recommended:
 - (a) subject to there being no adverse comments by the Council's internal and external auditors, to take on responsibility for risk management, with a review in one year's time;
 - (b) to agree the revised risk management strategy (Appendix A), including the designation of the Chairman of the Corporate Governance Committee as Member Risk Management Champion;
 - (c) to endorse EMT's role regarding risk management, as set out in sections 8 to 10 of the strategy;
 - (d) to adopt the targets suggested for risk management;
 - (e) to agree that adequate funding for risk management activities and training is available under the Council's insurance arrangements;
 - (f) to agree that staffing resources identified in the revised strategy are suitable and appropriate for risk management activities and management;
 - (g) to agree the risk scenarios provided at Appendix D, the prioritisation matrix (Appendix E), the resulting strategic risk register (Appendix F) and the management action plans (Appendix G).

Background Papers: the following background papers were used in the preparation of this report:

CPA Use of Resources KLOE, Audit Commission
CGI assessment criteria, Audit Commission
CGI report, 8 February 2007, Audit Commission

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