

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Corporate Governance Committee  
**AUTHOR/S:** Executive Director (Corporate Services)

23 March 2012

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### ANNUAL REVIEW OF RISK MANAGEMENT STRATEGY

#### Purpose

1. The purpose of this report is for Corporate Governance Committee to conduct the annual review of the Council's Risk Management Strategy and process and agree any changes considered necessary.

#### Recommendations

2. That Corporate Governance Committee approves the revised Risk Management Strategy, as set out at Appendix B.

#### Reasons for Recommendations

3. The revised Risk Management Strategy has been updated to address recommendations resulting from Internal Audit's risk maturity review – it therefore represents appropriate application of risk management best practice to the Council's strategy and process.
4. Executive Management Team (EMT) and the Finance & Staffing Portfolio Holder have each rigorously reviewed the Strategic Risk Register, the risks included and assessments of their impact and/or likelihood, at quarterly meetings; a review of strategic risks over the past 12 months indicates that Corporate Governance Committee can have assurance that the Council's Risk Management Strategy and process remain effective.

#### Background

5. The Risk Management Strategy was first adopted in January 2004 and updated in September 2007, September 2008, February and March 2010, and March 2011; this last update, for the change in the Strategic Risk Register format resulting from moving it into the CorVu performance management system in September 2010, and to address recommendations resulting from Internal Audit's risk management and assurance stocktake.
6. When the Risk Management Strategy and process was revised in 2011, Corporate Governance Committee agreed to receive the portfolio holder's review and approval of the Strategic Risk Register at the September 2011 meeting and to consider whether future monitoring was required. At that meeting, the committee agreed to monitor the portfolio holder's review on an annual basis.

#### Considerations

7. The quarterly reviews of the Strategic Risk Register by EMT and the Finance & Staffing Portfolio Holder have resulted in:
  - (a) four new risks being added:

- (i) Major projects impact on small teams (September 2011);
    - (ii) Demands on services from an ageing population (September 2011);
    - (iii) Partnership working with the County Council (September 2011);
    - (iv) Keeping up with technology development (September 2011);
  - (b) one risk score being increased:
    - (i) Lack of development progress (June 2011);
  - (c) one risk score being reduced:
    - (i) Equalities (December 2011);
  - (d) and one risk being removed:
    - (i) Productive employee time (June 2011);
  - (e) with the possibility, following EMT's review of the Strategic Risk Register in February 2012, of one other risk being added, two risks being removed and either the score on a fourth risk being reduced or the risk being removed, at the Finance & Staffing Portfolio Holder's meeting on 20 March 2012 – an update on these risks will be provided at the Corporate Governance Committee's meeting.
8. Particular comments made by the Finance & Staffing Portfolio Holder at his quarterly reviews of the Strategic Risk Register are summarised below:
- (a) June 2011: Lack of development progress - The portfolio holder recognised the progress that had been made with regard to future development sites, but considered that EMT should have downgraded the likelihood score from 5 (Almost certain) to 4 (Likely) instead of 3 (Possible). He also considered that the impact of this risk should be 4 (High) instead of 3 (Medium).
  - (b) September 2011: The portfolio holder considered that a higher impact score than 3 (Medium) could be considered for the Supported Housing risk, the Housing Revenue Account risk was being well managed by the Council and should be removed from the register in the next few months, the use of technology in delivering efficiencies should be mentioned in the comments on the 'Keeping up with technology development' risk and questioned whether the Equalities risk should have as high an impact score as 5 (Extreme).
  - (c) December 2011: Welfare reform - While the portfolio holder recognised that the Government's reforms were inevitable, he decided to keep this risk on the register as the Government had still not announced all the details necessary for their implementation.
9. EMT and the Finance & Staffing Portfolio Holder reviews of the Strategic Risk Register at quarterly meetings and a review of strategic risks over the past 12 months indicate that the Council's Risk Management Strategy and process remain rigorous and effective.
10. Internal Audit's risk maturity review was an advisory piece of work, which does not result in a formal assurance opinion; however the review and the risk maturity level of the organisation will support and influence the annual opinion provided by the Head of Internal Audit. Internal Audit's conclusion was, "Overall we consider that the risk management framework as currently operating is adequate and effective. In most instances the recommendations we have made either enhance the controls currently in place and align them with best practice or seek to ensure the processes in place are adequately documented." The recommendations resulting from the review, together with management responses, actions taken and proposed updates to the Risk Management Strategy, are attached at **Appendix A**.
11. The proposed revised Risk Management Strategy is attached at **Appendix B**; proposed updates are shown as **highlighted text**.

12. At the then Northstowe Portfolio Holder’s meeting in April 2011, Councillor Riley suggested an alternative scoring system to the matrix shown in Appendix B of the report, where instead of both impact and likelihood being scored 1-5, likelihood could be expressed as a percentage and impact scored in thousands of pounds. Councillor Wotherspoon welcomed discussion on an alternative scoring system but concluded that the current system was fit for the purpose of deciding which risks were above the tolerance line and so merited special attention. Nevertheless he instructed officers to consider the merits of an alternative matrix on the basis proposed by Councillor Riley. A review of public sector risk management exemplars, local peer authorities and other international organisations is summarised in **Appendix C** and resulted in the following observations and recommendations:
- (a) Some risks may not have a direct financial implication; seeking to attach a monetary value to such risks could divert attention from the main effects of their impact. Prioritising risks based on potential financial loss multiplied by percentage chance of occurrence could suggest a precision that is unintended, confuse consideration of other aspects of risk likelihood and impact and possibly result in incorrect management of risks.
  - (b) The current practices of using a range of descriptive, financial and proximity<sup>1</sup> guidelines to assess impact, and a range of descriptive, percentage and proximity guidelines to assess likelihood, should therefore be continued. However, it is suggested that the likelihood guidelines could be updated to reflect a range of time periods, rather than just “in the next 12 months” as at present (although that phrase does relate to the time horizon considered when the Council’s risk registers are reviewed). An example of how this could be applied is shown as **highlighted text** in Annex E to Appendix B attached.

### Options

13. Corporate Governance Committee could approve the changes proposed to address the Internal Audit recommendations and the resulting proposed revised Risk Management Strategy. (***This is the recommended option.***) Alternatively, the committee could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.

### Implications

14. Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report.
Risk Management	The updated Risk Management Strategy will ensure the authority has an effective risk management process, reflecting the authority’s political arrangements and management structure and the Council’s Aims, and providing appropriate ownership and assurance.
Equality and Diversity	The Risk Management Strategy and process has no inherent equality and diversity implications.
Equality Impact Assessment completed	No A Partial Equality Impact Assessment (EqIA) was prepared with the help of the Equalities & Customer Services Assistant; the impacts have been provisionally assessed as neutral, with no issues arising.

<sup>1</sup> Proximity: In terms of Impact – how long the outcome of the risk might last - some outcomes may be short term; others, longer term. In terms of Likelihood – when the risk might occur; some risks will be predicted to be further away in time than others

Climate Change	The Risk Management Strategy and process has no inherent climate change implications.
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### **Consultations**

15. The review of the Risk Management Strategy has taken into account recommendations from the Internal Audit risk maturity review.
16. EMT considered the proposed revised strategy in February 2012 and has recommended that Corporate Governance Committee approves it.
17. The Finance & Staffing Portfolio Holder has been consulted on the proposed revised strategy and has advised that the proposed changes seem fine.

### **Effect on Strategic Aims**

18. The annual review of the Risk Management Strategy relates to the Council's commitment to listen to and engage with residents, parishes and businesses to ensure the Council delivers first class services and value for money:
  - (a) it contributes to the Council's corporate governance responsibilities;
  - (b) it also ensures that risks involved in the delivery of the Council's Corporate Plan and in meeting its strategic Aims are identified and managed adequately and effectively.

### **Conclusions / Summary**

19. The Finance & Staffing Portfolio Holder has exercised his executive responsibility for risk management effectively, including quarterly review and approval of the Strategic Risk Register and associated control measures / sources of assurance.
20. Corporate Governance Committee has exercised its governance responsibility for risk management effectively, including annual review of the Risk Management Strategy and process.
21. This report proposes changes to the Risk Management Strategy to address recommendations resulting from Internal Audit's risk maturity review and provides a proposed revised Risk Management Strategy that takes these into account.
22. The Council's Risk Management Strategy and process appear to be effective.

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

Internal Audit Risk Maturity Review

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