

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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

19 March 2013

RISK MANAGEMENT

Purpose

1. The purpose of this report is for Corporate Governance Committee to conduct the annual review 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 proposed revised Risk Management Strategy has been updated to address recommendations resulting from Internal Audit's risk management 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 Corporate & Customer Services Portfolio Holder have each rigorously reviewed the Strategic Risk Register, the risks included and assessments of their impact and/or likelihood, control measures / sources of assurance, 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 Council's Risk Management Strategy was first adopted in January 2004 and has since been updated several times – the last, in March 2012, to address recommendations resulting from an Internal Audit risk maturity review.

Considerations

6. The quarterly reviews of the Strategic Risk Register by EMT and the Corporate & Customer Services Portfolio Holder have resulted in:
 - (a) one new risk being added:
 - (i) Increase in numbers in temporary accommodation (January 2013);
 - (b) one risk score being increased:
 - (i) Medium Term Financial Strategy (October 2012);
 - (c) three risk scores being reduced:
 - (i) Supported Housing (June 2012 and again in January 2013)
 - (ii) HRA Business Plan (October 2012);
 - (iii) Depot size (January 2013);
 - (d) and three risks being removed:
 - (i) Implementation of national job evaluation scheme (June 2012);

- (ii) HRA self-financing (June 2012);
- (iii) Achieving a 10% reduction in CO₂ emissions (October 2012).

7. The Corporate & Customer Services Portfolio Holder has reviewed the Strategic Risk Register at quarterly intervals, considering the risks included assessments of their impact and/or likelihood, and control measures / sources of assurance; examples include:
- (a) June 2012: The portfolio holder accepted the recommendations of EMT that the HRA Self-Financing and the Job Evaluation Scheme risks be removed from the Strategic Risk Register;
 - (b) October 2012: The portfolio holder agreed EMT's recommendations that the MTFS risk impact score be increased from 4 (high) to 5 (extreme) and the likelihood score be increased from 3 (possible) to 4 (likely), and that the HRA Business Plan risk likelihood score be reduced from 3 (possible) to 2 (unlikely);
 - (c) January 2013: The portfolio holder agreed the recommendation of EMT to include a risk of 'Increase in numbers in temporary accommodation' following the request of the Affordable Housing Director, reduce the Supported Housing risk likelihood score from 5 (almost certain) to 3 (possible) following the postponement of the procurement for 6 months, and reduce the Depot Size risk likelihood score from 2 (unlikely) to 1 (rare) as several actions were taking place. The portfolio holder decided not to downgrade the MTFS risk impact score from 5 (extreme) to 4 (high), as there was still considerable financial uncertainty with regard to funding from the Government from 2015/16 onwards.
8. A review of the risks identified and assessed over the past 12 months has revealed that three strategic risks (HRA self-financing, Implementation of national job evaluation scheme, and Achieving a 10% reduction in CO₂ emissions) have been successfully managed and removed from the register. In addition, the impact/likelihood assessments of three other strategic risks (Supported housing, HRA business plan, and Depot size) have been reduced. These indicate that the Council's risk management process is effective.
9. **Appendix A** attached sets out all the recommendations resulting from internal audit's risk management review, together with management responses, actions taken and, where relevant, proposed updates to the Risk Management Strategy.
10. The proposed revised Risk Management Strategy has also been updated for changes in the formats of service area risk registers reported to EMT and the Strategic Risk Register reported to EMT and the portfolio holder, whereby only risks with a total score of 5 or more are shown (risks scoring 4 or less are still on the risk registers, but are not included in the reports) (paragraphs 8.5.1 and 8.5.3 and annexes C and D of the proposed revised strategy refer).
11. The proposed revised Risk Management Strategy is attached at **Appendix B**; suggested updates are shown as highlighted text.

Options

12. 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

13.	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. 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.
	Equality and Diversity	The Risk Management Strategy and process has no inherent equality and diversity implications; however, Equalities is included as a risk area on the Strategic Risk Register.
	Equality Impact Assessment completed	No A Partial Equality Impact Assessment (EqIA) of the Risk Management Strategy was prepared in March 2011; the impacts were assessed as neutral, with no issues arising.
	Climate Change	The Risk Management Strategy and process has no inherent climate change implications; however, 'Safeguarding the Council's services against climate change' is included as a risk area on the Strategic Risk Register.

Consultations

14. The review of the Council's Risk Management Strategy has taken into account recommendations from Internal Audit's risk management review.
15. EMT has been consulted on the proposed revised strategy in March 2013 and recommends that Corporate Governance Committee approves it.

Consultation with Children and Young People

16. There has been no consultation with children and young people regarding this report.

Effect on Strategic Aims

17. The annual review of the Risk Management Strategy relates to the Council's commitment to deliver 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

18. The Corporate & Customer Services 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.

19. Corporate Governance Committee has exercised its governance responsibility for risk management effectively, including annual review of the Risk Management Strategy and process.
20. This report proposes changes to the Risk Management Strategy to address recommendations resulting from Internal Audit's risk management review and provides a proposed revised Risk Management Strategy that takes these into account.
21. 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 Management Review

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