

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Corporate Governance Committee

29 June 2010

**AUTHOR/S:** Executive Director, Corporate Services

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### STRATEGIC RISK REGISTER – QUARTERLY REVIEW

#### Purpose

1. The purpose of this report is to enable Corporate Governance Committee to consider the Northstowe Portfolio Holder's latest quarterly review and approval of the Council's Strategic Risk Register.
2. This is not a key decision but it has been brought to this meeting because the Committee wishes to monitor that the Strategic Risk Register has been properly considered by the portfolio holder.

#### Recommendations and Reasons

3. That Corporate Governance Committee notes the Northstowe Portfolio Holder's latest quarterly review and approval of the Strategic Risk Register, as the record of corporate risks the Council currently faces in the provision of its services and the achievement of its aims, together with control measures to address the risks.

#### Background

4. At its meeting on 22 April 2010, the Council agreed amendments to the Constitution, including that:
  - (a) responsibility for Council functions incorporates the separation of Member governance and executive responsibilities for risk management;
  - (b) the Executive, led by the appropriate portfolio holder, has responsibility for management of the strategic risks facing the Council;  
[Note: The Leader of the Council subsequently designated the Northstowe Portfolio Holder as the lead executive Member for risk management.]
  - (c) Corporate Governance Committee will receive quarterly, the Strategic Risk Register, covering reports and other associated documents presented to the Northstowe Portfolio Holder, together with the minutes of the portfolio holder meetings, to monitor that the Strategic Risk Register has been properly considered by the portfolio holder.

#### Considerations

5. The Strategic Risk Register was reviewed with the nominated risk owners and other members of EMT. A proposed updated version was presented to EMT at its meeting on 26 May 2010. EMT agreed the following changes to the Strategic Risk Register:
  - (a) **HRA financial position:** The wording of the risk has been amended to reflect that budgets have now been set and the resulting staffing changes finalised. While there is still some bedding in to complete and other variables such as the potential impact of the HRA reform proposal (see paragraph 6 (c) below), projections show that in the next 5 years the HRA has achieved a balanced position. EMT agreed to reduce the Likelihood score from Likely (4) to Unlikely (2).

- (b) **Lack of development progress:** While there has been progress on Cambridge fringe sites, there is no progress yet at Northstowe and little likelihood of progress at Cambridge East in the immediate future. EMT therefore agreed to increase the Likelihood score from Possible (3) to Almost Certain (5). Control measures have been added to address the risk. Awaiting the policies of the new government that may mean the targets will change, which will inform the future timeline for progress.
  - (c) **Medium Term Financial Strategy (MTFS):** With the change in Government, it is possible that the RSG settlement will be worse than currently projected, EMT agreed to increase the Likelihood score from Unlikely (2) to Possible (3). The outcome will be known when the RSG settlement is announced in December 2010.
  - (d) **Equalities:** The Gender Equality Scheme was adopted by Cabinet on 13 May 2010. It is thought that the IDeA inspection will take place in October 2010.
  - (e) **Illegal Traveller encampments or developments:** A significant number of public consultation comments have been received on the draft Gypsy and Traveller Development Plan Document. To reflect this, EMT decided to increase the Impact score in line with the recently updated Planning and New Communities service area risk register, from Medium (3) to High (4). An update report will be taken to the New Communities Portfolio Holder meeting in July 2010.
  - (f) **Climate change:** The wording of the risk has been extended to cover the Council's aim of achieving a 10% reduction in CO<sub>2</sub> emissions.
  - (g) **Productive employee time:** An additional control measure has been added to reflect an absence management audit being conducted in June 2010.
  - (h) **LAA actions:** The control measure is the Leader and Chief Executive participation in Cambridgeshire Together board meetings, monitoring performance and approving remedial action plans.
  - (i) **Embedding values:** Control measures include the continuing implementation of an action plan, which has an end date of March 2011. Responsibility has passed to the Corporate Manager (Community & Customer Services).
6. EMT also agreed to include the following new risks on the Strategic Risk Register at its meeting on 26 May 2010:
- (a) **Equity Share Project:** That the Council is unable to find an alternative short term funding solution to the legally required buy back of equity share properties (pre 2006 leases), leading to a shortfall of budget to support the Council's capital programme. The risk has initially been scored at 16 (Impact, High, 4; Likelihood, Likely, 4).
  - (b) **Supported Housing:** A reduction in Supporting People funding, resulting in concerns over well being of vulnerable people and dissatisfaction among residents. The risk has initially been scored at 15 (Impact, Medium, 3; Likelihood, Almost certain, 5).
  - (c) **HRA Reform Proposal:** That the HRA reform proposal is abandoned, resulting in significant budget pressures for the HRA after 5 years and likely to lead to further cuts to spending and reduction in service. The risk has initially been scored at 8 (Impact, High, 4; Likelihood, Unlikely, 2).
  - (d) **Implementation of National Job Evaluation Scheme:** That the Council and trade unions are not able to form a collective agreement for the implementation of a revised job evaluation scheme, leading to worsening industrial relations and equal pay challenges, poor publicity and public dissatisfaction with the Council's services. The risk has initially been scored at 12 (Impact, Medium, 3; Likelihood, Likely, 4).

7. The updated and new risks have been included as appropriate in the draft Strategic Risk Register and Matrix, attached at **Appendices A and B**. The criteria for assessing Impact and Likelihood of risks have been included for information at the end of Appendix A.
  
8. The Northstowe Portfolio Holder considered the draft Strategic Risk Register at his meeting on 9 June 2010 (the report and appendices can be viewed at <http://scams.moderngov.co.uk/ieListDocuments.aspx?CId=950&MId=5190&Ver=4>, item 3 refers). The portfolio holder and those present considered whether the correct strategic risks were identified and whether the risk scores and control measures were appropriate. The portfolio holder approved the updated Strategic Risk Register. Specific comments made at the meeting included:
  - (a) **Lack of development progress:** It was noted that this risk might have to be amended if the Government cut growth funding or made changes to planning requirements. This would be taken into consideration the next time the Strategic Risk Register was reviewed.
  - (b) **Climate change:** The portfolio holder supported the amendment of the wording of the risk to cover the Council's aim of achieving a 10% reduction in CO<sub>2</sub> emissions.
    - (i) In answer to a question about whether the risk should be shown above the risk tolerance (dotted) line on the Risk Matrix in Appendix B, officers explained that actions were being taken to mitigate the risk and that the Impact and Likelihood scores placed the risk below the tolerance line; however, this would continue to be reviewed each quarter.
    - (ii) It was noted that reducing CO<sub>2</sub> emissions could also reduce the Council's energy costs, along with other actions that had been and were continuing to be taken to minimise energy consumption.
  - (c) Three of the four new risks (**Equity Share Project, Supported Housing and Implementation of National Job Evaluation Scheme**) were being introduced to the Strategic Risk Register above the risk tolerance line.
    - (i) The Finance Project Officer advised that two of these (Supported Housing and Implementation of National Job Evaluation Scheme) had been included in the relevant service area risk registers for some time - increased Impact/Likelihood assessments meant that these risks now needed to be escalated to the Council's Strategic Risk Register.
    - (ii) The Equity Share Project risk had arisen since the last review of the Strategic Risk Register, as officers had identified that the Council's legal requirement to buy back equity share properties might cause a shortfall in the capital budget and delays to the capital programme; options were being discussed with the Department for Communities and Local Government.
  - (d) **HRA Reform Proposal:** It was noted that, although it was unlikely that the Government would abandon HRA reform, the consequences of doing so would be further cuts to the HRA budget and reduction in service.

## Options

9. In considering the Northstowe Portfolio Holder's review and approval of the Strategic Risk Register and Matrix (paragraphs 5 to 8 and Appendices A to B), Corporate Governance Committee could:
  - (a) suggest changes to the Strategic Risk Register (Appendix A), in terms of either the title or detail of the risks or control measures;
  - (b) suggest alterations to the assessment of risks on the Matrix (Appendix B), in terms of either their impact or likelihood.

## Implications

10. Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report. Some of the control measures may have financial, legal or staffing implications; if so, these will be considered in separate reports.
Risk Management	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.
Climate Change	The Council's risk management process has no inherent climate change implications; however, Climate Change is included as a risk area on the Strategic Risk Register.

## Consultations

11. Risk owners and members of EMT have been consulted regarding this review of the Strategic Risk Register and Matrix.
12. The Northstowe Portfolio Holder reviewed and approved the updated Strategic Risk Register and Matrix at his meeting on 9 June 2010.
13. There will be liaison with officers as appropriate regarding the implementation of any suggestions made by Corporate Governance Committee regarding this report.

## Effect on Strategic Aims

14. The regular review of the Council's Strategic Risk Register relates to the Council's strategic aim of being a listening council, providing first class services accessible to all:
  - (a) it contributes to the Council's corporate governance responsibilities;
  - (b) it also ensures that strategic risks involved in the delivery of the Council's Corporate Plan and in meeting its strategic Aims are identified and managed.

## Conclusions / Summary

15. Appendices A and B represent the Strategic Risk Register and Matrix resulting from the consultations.
16. The quarterly review of the Strategic Risk Register enables the Council to manage its strategic risks to an acceptable level.

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

None unpublished

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