

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

28 March 2011

AUTHOR/S: Executive Director (Corporate Services)

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:
 - (a) agrees to discontinue its quarterly monitoring of the Northstowe Portfolio Holder's review and approval of the Council's Strategic Risk Register;
 - (b) approves the revised Risk Management Strategy, as set out at Appendix B.

Reasons for Recommendations

3. The Northstowe Portfolio Holder has considered the Strategic Risk Register, the risks included and assessments of their impact and/or likelihood, at each of his meetings; a review of strategic risks over the past 12 months shows that several have been successfully managed; Corporate Governance Committee therefore has reassurance that its quarterly monitoring of the portfolio holder's approval of the Strategic Risk Register is no longer required and that it can rely on its annual review of the Council's Risk Management Strategy and process to ensure that these remain effective.
4. The revised Risk Management Strategy has been updated in anticipation of the committee's agreement to discontinue its quarterly monitoring of the portfolio holder's approval of the Strategic Risk Register, 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 – it therefore represents appropriate application of risk management best practice to the Council's strategy and process.

Background

5. The Council's Risk Management Strategy was first adopted in January 2004 and updated in September 2007, September 2008, February and March 2010; these last two updates, to make interim changes regarding risk management executive and governance roles and the risk management process and to address some recommendations resulting from Internal Audit's risk maturity update.

Considerations

6. When the Risk Management Strategy and process was revised in 2010, Corporate Governance Committee decided that it would review the Strategic Risk Registers, covering reports and other associated documents presented to the (Northstowe) portfolio holder, together with the minutes of those meetings, to monitor their

consideration by the portfolio holder and re-assess this after a year. The committee now has a year's experience of monitoring the Northstowe Portfolio Holder's reviews:

- (a) The portfolio holder has reviewed the Strategic Risk Register at each of his meetings, considering the risks included and assessments of their impact and/or likelihood; examples include:
 - (i) March 2010: Lack of development progress - Northstowe was likely to be included in the next wave of eco-towns and the reference to it had therefore been removed from the risk, but the risk score kept the same - the portfolio holder felt that the current score was appropriate;
 - (ii) June 2010: Climate change - The portfolio holder supported the amendment of the wording of the risk on climate change to cover the Council's aim of achieving a 10% reduction in CO₂ emissions;
 - (iii) September 2010: Supported Housing - The portfolio holder rejected the proposed increase in the impact score on the grounds that the likelihood that the reduction would be more than anticipated did not justify the increase as defined under the risk management scheme;
 - (iv) December 2010: Medium Term Financial Strategy - The portfolio holder considered it unlikely that the Government would alter the settlement following the end of the consultation exercise and so he decided to increase the likelihood score of the risk.
- (b) A review of the risks identified and assessed over the past 12 months has revealed that the following strategic risks have been successfully managed, indicating that the Council's Risk Management Strategy and process is effective:
 - (i) Equity Share Scheme;
 - (ii) Shared services;
 - (iii) LAA actions;
 - (iv) Embedding values;
 - (v) HRA financial position.In addition, the impact/likelihood assessment of another strategic risk has been reduced: Equalities.
- (c) It is therefore suggested that the committee discontinues its quarterly monitoring reviews.

7. **Appendix A** attached sets out all the recommendations resulting from Internal Audit's risk management and assurance stocktake, together with management responses, actions taken and proposed updates to the Risk Management Strategy.
8. The proposed revised Risk Management Strategy is attached at **Appendix B**; proposed updates are shown as highlighted text.
9. The Risk Management Strategy has also been updated for the change in Strategic Risk Register format resulting from moving it into CorVu in September 2010 (see Appendix B, paragraph 5.2.2 and Annex C) and in anticipation of the Corporate Governance Committee's agreement to discontinue its quarterly monitoring of the Northstowe Portfolio Holder's review and approval of the Strategic Risk Register (see Appendix B, paragraph 8.5.1).

Options

10. Corporate Governance Committee could agree to discontinue its quarterly monitoring of the Northstowe Portfolio Holder's review and approval of the Council's Strategic Risk Register. (***This is the recommended option.***) Alternatively, the committee could suggest an alternative arrangement.

11. 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

12. 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 Council's Risk Management Strategy and process has no inherent equality and diversity implications.
Equality Impact Assessment completed	No A Partial Equality Impact Assessment (EqIA) has been drafted with the help of the Equalities & Customer Services Assistant; the impacts have been provisionally assessed as neutral, with no issues arising. The EqIA is in the process of being assessed; it is hoped that this will be completed before the Risk Management Strategy is reported to Corporate Governance Committee.
Climate Change	The Council's Risk Management Strategy and process has no inherent climate change implications.

Consultations

13. The review of the Council's Risk Management Strategy has taken into account recommendations from the Internal Audit risk management and assurance stocktake.
14. Executive Management Team considered the proposed revised strategy on 23 February 2011 and have recommended that Corporate Governance Committee:
- agrees to discontinue its quarterly monitoring of the Northstowe Portfolio Holder's review and approval of the Council's Strategic Risk Register;
 - approves the revised Risk Management Strategy.
15. The Northstowe Portfolio Holder, as executive Member responsible for risk management, has consulted his Cabinet colleagues on the proposed changes to the strategy in response to the Internal Audit recommendations, as well as the suggestion of the committee dropping its quarterly monitoring of the portfolio holder's reviews of the Strategic Risk Register, reducing this to an annual event as part of its review of the Risk Management Strategy and process. No objections were raised.

Effect on Strategic Aims

16. The annual review of the Council's Risk Management Strategy relates to the Council's commitment to of being a listening council, providing first class services accessible to all:
- it contributes to the Council's corporate governance responsibilities;
 - 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

17. The Northstowe 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.
18. Corporate Governance Committee has exercised its governance responsibility for risk management effectively, including annual review of the Risk Management Strategy and process; however, it is suggested that the committee discontinues its quarterly monitoring of the Northstowe Portfolio Holder's review and approval of the Strategic Risk Register and associated control measures / sources of assurance.
19. This report proposes changes to the Risk Management Strategy to address recommendations resulting from Internal Audit's risk management and assurance stocktake and provides a proposed revised Risk Management Strategy that takes these into account.

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

RSM Tenon Risk Management and Assurance Stocktake

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