

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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

29 June 2012

RISK MANAGEMENT

Purpose

1. The purposes of this report are for Corporate Governance Committee to:
 - (a) review the Council's Risk Management Strategy and process and agree any changes considered necessary; and
 - (b) invite the Corporate & Customer Services Portfolio Holder to perform the quarterly review and approval of the Strategic Risk Register.
2. These are not key decisions, but they have been brought to this meeting because:
 - (a) the Council, at its meeting on 26 April 2012, referred the Risk Management Strategy and Strategic Risk Register back to the Corporate Governance Committee for reconsideration; and
 - (b) the Corporate & Customer Services Portfolio Holder has been designated as the lead executive Member for risk management, with responsibility for management of the strategic risks facing the Council.

Recommendations

3. That Corporate Governance Committee approves the revised Risk Management Strategy, as set out at Appendix C to the report.
4. That the Corporate & Customer Services Portfolio Holder approves the Strategic Risk Register and Matrix, as set out at Appendices D and E to the report.

Reasons for Recommendations

5. The Risk Management Strategy represents appropriate application of risk management best practice to the Council's strategy and process.
6. The Strategic Risk Register and Matrix forms the record of corporate risks the Council currently faces in the delivery of services and the achievement of strategic aims, together with control measures to address / sources of assurance over the risks.

Background

Risk Management Strategy

7. The Risk Management Strategy was first adopted in January 2004 and updated in September 2007, September 2008, February and March 2010, and March 2011. When the strategy was reviewed in September 2007, Cabinet and Corporate Governance Committee agreed that responsibility for risk management should rest with the latter; this was confirmed in September 2008. In February 2010, recognising best practice that executive and governance roles should be carried out separately to ensure the effective exercise of risk management, Corporate Governance Committee

approved the reallocation of Member executive and governance roles regarding risk management between the Executive and Corporate Governance Committee:

- (a) agreement and ownership of the strategic risks facing the Council - the executive role - to the Executive, led by the appropriate portfolio holder;
- (b) approval of the risk management strategy; advice and assurance regarding the adequacy and effectiveness of risk management - the governance role - to Corporate Governance Committee;
- (c) Corporate Governance Committee to receive quarterly, the strategic risk register, covering reports and other associated documents presented to the 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;
- (d) Corporate Governance Committee to continue to receive an annual report on the risk management strategy and process, including how Executive Management Team (EMT) and the portfolio holder have performed the quarterly reviews of the Council's strategic risk register, thus giving the Committee assurance over the process;
- (e) the reporting of the risk management strategy and strategic risk register once a year to Council.

8. The changes resulted in the following procedural framework:

	<i>SMT/ EMT</i>	<i>Executive</i>	<i>Corporate Governance Committee</i>	<i>Council</i>
(a) review of the adequacy and effectiveness of the Council's risk management strategy and process	annually [February]		annually [March]	
(b) review and update of the Council's strategic risk register	quarterly [May, August, November, February]	quarterly		
(c) monitoring the review of the Council's strategic risk register			quarterly	
(d) reporting of the risk management strategy and strategic risk register				annually [April]

9. When the Risk Management Strategy and process was revised in March 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 latter meeting, the committee agreed to monitor the portfolio holder's review on an annual basis.
10. At the meeting of the Council on 26 April 2012, following suggestions by a member of Corporate Governance Committee, the Leader withdrew a report on the Risk Management Strategy and the Council referred the strategy and the Strategic Risk Register back to Corporate Governance Committee for reconsideration. Another Member subsequently made some comments and raised some further queries on the strategy. The suggestions, comments and queries are considered in paragraph 12.

Strategic Risk Register

11. The Corporate & Customer Services Portfolio Holder, as the designated lead executive Member for risk management, has responsibility for agreement and ownership of the strategic risks facing the Council and reviews the Strategic Risk Register quarterly. As Cllr Hockney does not have a portfolio holder meeting this quarter, he will attend the meeting of Corporate Governance Committee so that the committee can invite him to review and approve the Strategic Risk Register.

Considerations

Risk Management Strategy

12. The suggestions made by a member of Corporate Governance Committee and the comments made and queries raised by another Member are shown in **Appendix A**, together with management responses and proposed changes to the Risk Management Strategy. Most of the suggestions, comments and queries have resulted in helpful clarifications and improvements to the strategy; however, there are three areas of suggestions where it is not proposed to change the strategy:

- (a) Suggestion: Amend the bullet points under paragraph 3.1 (b) to read:
- the executive role ... will be led by the **Corporate Governance Committee**;
 - the governance role ... will be undertaken by the **Finance and Staffing Portfolio Holder**.

Response: Risk management best practice is that the executive role should be undertaken by the Council's Executive - in this authority's case Cabinet, led by the relevant portfolio holder - and that the governance role should be undertaken by the Council's committee responsible for overseeing governance arrangements - in this authority's case Corporate Governance Committee. (An extract from the Chartered Institute of Public Finance and Accountancy's guidance on Responsibility for Risk Management is attached as **Appendix B**.) This was agreed by Corporate Governance Committee in February 2010, as mentioned in paragraph 7 above.

- (b) Suggestion: In paragraph 5.2.2, replace the Red / Amber / Green colour coding with an **Increased / Unchanged / Improved** notation (and so for all Red/Amber/Green comments).

Response: Three areas of the Risk Management Strategy where colour was used previously have now been changed to black and white (the diagram under paragraph 4.1, Annex A and Annex F); however, the Strategic Risk Register is held in the Council's performance management system, CorVu, which uses Red/Amber/Green for performance measures and therefore for risks, where the colour coding shows where risks have worsened, stayed the same or improved. This is a case where colour has an important purpose and needs to be retained.

- (c) Suggestion: In Annex H, amend the roles of Corporate Governance Committee and the Finance & Staffing Portfolio Holder as follows:
- (Corporate Governance Committee) Reviews **and approves** the Risk Management Strategy and process ~~annually~~ **at each meeting**, updating them if necessary.
 - **An This** annual review will include considering the adequacy of the quarterly reviews of the Strategic Risk Register by the Finance & Staffing Portfolio Holder.
 - The Finance & Staffing Portfolio Holder reviews ~~and approves~~ the Strategic Risk Register quarterly.

Response: The separate executive and governance roles mean that Corporate Governance Committee is responsible for reviewing the Risk Management Strategy and process to ensure that it remains effective (the suggested wording about approving the strategy will be added), but this only needs to be done annually, not at each meeting; the relevant portfolio holder is responsible for reviewing and approving the Strategic Risk Register quarterly; and the committee has moved away from monitoring the portfolio holder's reviews quarterly, to now doing so as part of the annual review of the risk management strategy and process - agreed at Corporate Governance Committee on 30 September 2011, as mentioned in paragraph 9 above.

13. The Risk Management Strategy is attached at **Appendix C**, with updates shown as **highlighted text**, to assist Members in seeing where proposed changes would be applied in the strategy. **The committee is invited to comment on whether it wishes to have proposed changes similarly highlighted for future revisions of the strategy.**

Strategic Risk Register

14. In accordance with recommendations in Internal Audit's recent Risk Maturity Review:
- (a) risks have been realigned to the new "Three 'A's", i.e. to the relevant 2012/13 Action(s);
 - (b) control measures / sources of assurance that are not yet fully implemented or in place, are now shown under 'Timescale to Progress'; however, some current control measures / sources of assurance have ongoing or future implications, so this is not always straightforward.
15. Internal Audit also recommended that greater use be made of linking control measures / sources of assurance to performance indicators. This will be implemented for the next review of the Strategic Risk Register.
16. The Strategic Risk Register has been reviewed with the nominated risk owners and other members of Executive Management Team (EMT). Changes proposed to risk descriptions, control measures / sources of assurance or timescales to progress are **highlighted in Appendix D** attached. Particular risks to note are:
- (a) **STR14, Employee Engagement and Development (previously Implementation of National Job Evaluation (JE) Scheme)**: The Council and trades unions signed the Single Status Agreement in May 2012; element (a) of the previous risk can therefore be removed from the Strategic Risk Register and is shown **greyed out** at the end of the risk register. Element (b) of the previous risk, regarding employee anxiety about Job Evaluation, has been reconsidered in terms of employee engagement and development, in the context of the Organisational Development Strategy. Assessments of Impact and Likelihood are that the risk comes below the risk tolerance line and it is therefore proposed that it be included in the Corporate Services service area risk register, rather than the Strategic Risk Register.
 - (b) **STR12, Supported Housing**: With the additions to control measures / sources of assurance, it is proposed that the Impact score be reduced from 3 (Medium) to 2 (Low); this would bring the risk below the Council's risk tolerance line.
 - (c) **STR13, Potential risk once HRA reform is implemented**: This risk was concerned with HRA self financing, leading up to the April 2012 implementation. £205million debt was successfully taken on, in March 2012. There is a viable Business Plan with its own separate risk register; Affordable Homes had already downgraded this risk on its service area risk register. It is

therefore proposed that this risk be removed from the Strategic Risk Register and it is accordingly shown **greyed out** at the end of the risk register.

17. The draft Strategic Risk Register CorVu report at Appendix C enables movement in strategic risk scores to be monitored, where Red / Amber / Green means:

	<u>for risks previously above the line</u>	<u>for risks previously below the line</u>
Red:	<ul style="list-style-type: none"> the score has increased 	<ul style="list-style-type: none"> the score has increased to above the line
Amber:	<ul style="list-style-type: none"> the score has not changed, or has decreased but stays above the line 	<ul style="list-style-type: none"> the score has increased but stays below the line
Green:	<ul style="list-style-type: none"> the score has decreased to below the line 	<ul style="list-style-type: none"> the score has not changed, or has decreased

18. The draft Strategic Risk Matrix, attached at **Appendix E**, shows risk Impact and Likelihood scores in diagrammatic format.

Options

19. Corporate Governance Committee could approve the proposed 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.
20. The Corporate & Customer Services Portfolio Holder could approve the Strategic Risk Register CorVu report and Matrix (**this is the recommended option**). Alternatively, the portfolio holder could:
- add to, delete from, or make other changes to risks, in terms of either the title or detail of the risks or control measures / sources of assurance;
 - alter the assessment of risks, in terms of either their impact or likelihood.

Implications

21. Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report. Some control measures in the Strategic Risk Register may have financial, legal or staffing implications; if so, these will be considered separately.
Risk Management	The Risk Management Strategy ensures the authority has an effective risk management process, reflecting 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	No

Assessment completed	A Partial Equality Impact Assessment (EqIA) of the Risk Management Strategy was prepared with the help of the Equalities & Customer Services Assistant; the impacts have been provisionally 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' and 'Achieving a 10% reduction in CO ₂ emissions' are included as risks on the Strategic Risk Register.

Consultations

22. The previous review of the Risk Management Strategy took recommendations from Internal Audit's risk maturity review into account. EMT considered a proposed revised strategy in February 2012 and recommended that Corporate Governance Committee approve it, which the committee did in March 2012. This review has considered further suggestions, comments and queries made by Members and incorporated them as appropriate into the strategy.
23. Risk owners and members of EMT were consulted regarding the review of the Strategic Risk Register. EMT considered the proposed updated risk register in May 2012 and recommended that the Corporate and Customer Services Portfolio Holder approve it.
24. There will be liaison with officers as appropriate regarding the implementation of decisions made by Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder on this report.

Consultation with Children and Young People

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

Effect on Strategic Aims

26. The Risk Management Strategy and the Strategic Risk Register relate 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) they contribute to the Council's corporate governance responsibilities;
 - (b) they ensure 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

27. Executive and governance roles are appropriately allocated between the Corporate & Customer Services Portfolio Holder, as the designated lead executive Member for risk management, and Corporate Governance Committee:
 - (a) the committee retains the key role of ensuring that the Council's Risk Management Strategy and process are adequate and effective;
 - (b) 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:

Internal Audit Risk Maturity Review

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