

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Director of Resources

TO: Civic Affairs Committee

20/03/2013

WARDS: All

### **RISK MANAGEMENT STRATEGY**

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#### **1 INTRODUCTION**

- 1.1 Cambridge City Council's Risk Management Strategy has been reviewed and updated to reflect the recent changes made to the Council's Risk Management Framework. The updated Strategy is presented at Appendix 1 to this report.

#### **2. RECOMMENDATIONS**

- 2.1 Civic Affairs Committee is asked to approve the revised Risk Management Strategy.

#### **3. BACKGROUND**

- 3.1. A fundamental review of the Council's Risk Management Framework has been undertaken over the last 18 months. This has included the following changes:
- The procurement and roll-out of a new, web-based risk register to all services, including full training provided to all users of the system.
  - Facilitation of risk workshops for all service areas and the Strategic Leadership Team (SLT) to capture and score the Council's current risks.
  - Risks are captured at two levels, strategic/corporate level and operational/service level.
  - Risks are categorised into key themes agreed by the Strategic Leadership Team.
  - A review of the reporting arrangements for risk. A report is taken to SLT twice a year setting out the Council's high and significant risks and details of overdue actions to mitigate risks.
  - The number of risks has been streamlined to a more manageable level.
  - Risks are now scored once (as opposed to twice previously), taking into account existing controls.
  - Major projects are recorded separately on the risk register.
  - Actions to mitigate risks, including Internal Audit actions, are recorded on the risk register and their implementation is regularly monitored.

- 3.2 The new web-based Risk Management system has been well received by managers, who have found it easy to use and informative. The new system includes a range of reporting facilities and automatic e-mail prompts to assist in the management of risks and actions.
- 3.3 The Council's Risk Management Strategy has been reviewed and updated by the Risk Management Team to reflect the changes made to the risk management framework. The revised strategy document (Appendix 1) sets out the Council's risk management process, including arrangements for monitoring and review, and defines the roles and responsibilities within that process.
- 3.4 The Risk Management Team will continue to provide on going support and advice to SLT, Heads of Service and Managers to ensure that the risk management process is fully embedded across the Council.

#### **4. CONSULTATIONS**

- 4.1 Members of SLT have been consulted on the revised Risk Management Strategy.

#### **5. IMPLICATIONS**

- (a) **Financial Implications**  
None
- (b) **Staffing Implications**  
None
- (c) **Equal Opportunities Implications**  
None
- (d) **Environmental Implications**  
None
- (e) **Community Safety Implications**  
None

#### **Background Papers:**

None.

The author and contact officer for queries on the report is Karl Tattam on extension 8161.



**CAMBRIDGE CITY COUNCIL**

**RISK MANAGEMENT STRATEGY**

**Revised January 2013**

## **RISK MANAGEMENT STRATEGY**

### **Risk**

Cambridge City Council considers risk to be the possibility that an unwanted or uncertain action or event will cause injury, loss, damage or adversely affect the ability to achieve our objectives. The objective of the risk management process is to identify, evaluate and control risks. Risk Management is a key element of the Council's Governance framework.

### **Governance**

The governance framework is the systems by which the Council ensures that it achieves the right outcomes for the citizens of Cambridge in an open and honest way. The system of internal control is a key part of the governance framework and is designed to manage risk to a reasonable level. Internal Audit regularly reviews the system of internal control, providing independent assurance on the adequacy and effectiveness of the controls in place to manage risks. Actions are also agreed with management to improve controls.

### **Risk Management**

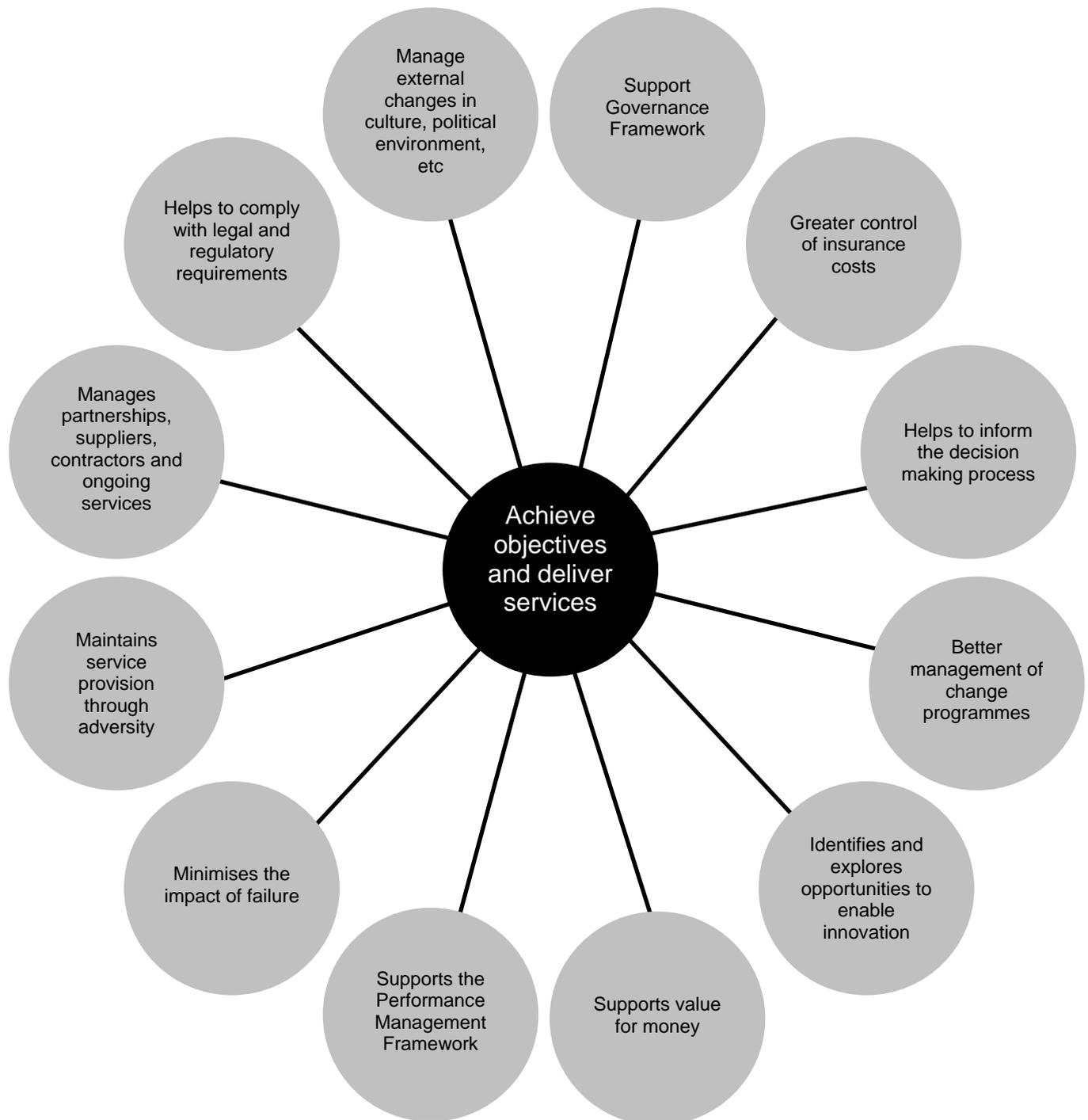
The Risk Management process involves identifying potential risks; what might cause the risks to occur; and what the consequences would be if the risk does occur. The process will identify controls that are currently in place to mitigate the risks and establish what actions can be taken to further reduce the likelihood of the risk arising and the impact should it occur. Risk Management is a continual process and as part of this we need to consider learning from previous experiences.

The greater the understanding of the risks that the Authority is exposed to and the causes and consequences of these risks, the more informed future decision making should be.

### **How the Council captures and monitors risks**

The Council currently uses an electronic web based hosted risk management system (4Risk) to record and manage risks and controls. The system is used to produce reports and statistics to assist Council Officers monitor and manage their risks. Management actions agreed in Internal Audit reports are also entered into the risk management system and progress on their implementation is monitored.

## The Benefits of Good Risk Management



## Risk Categories

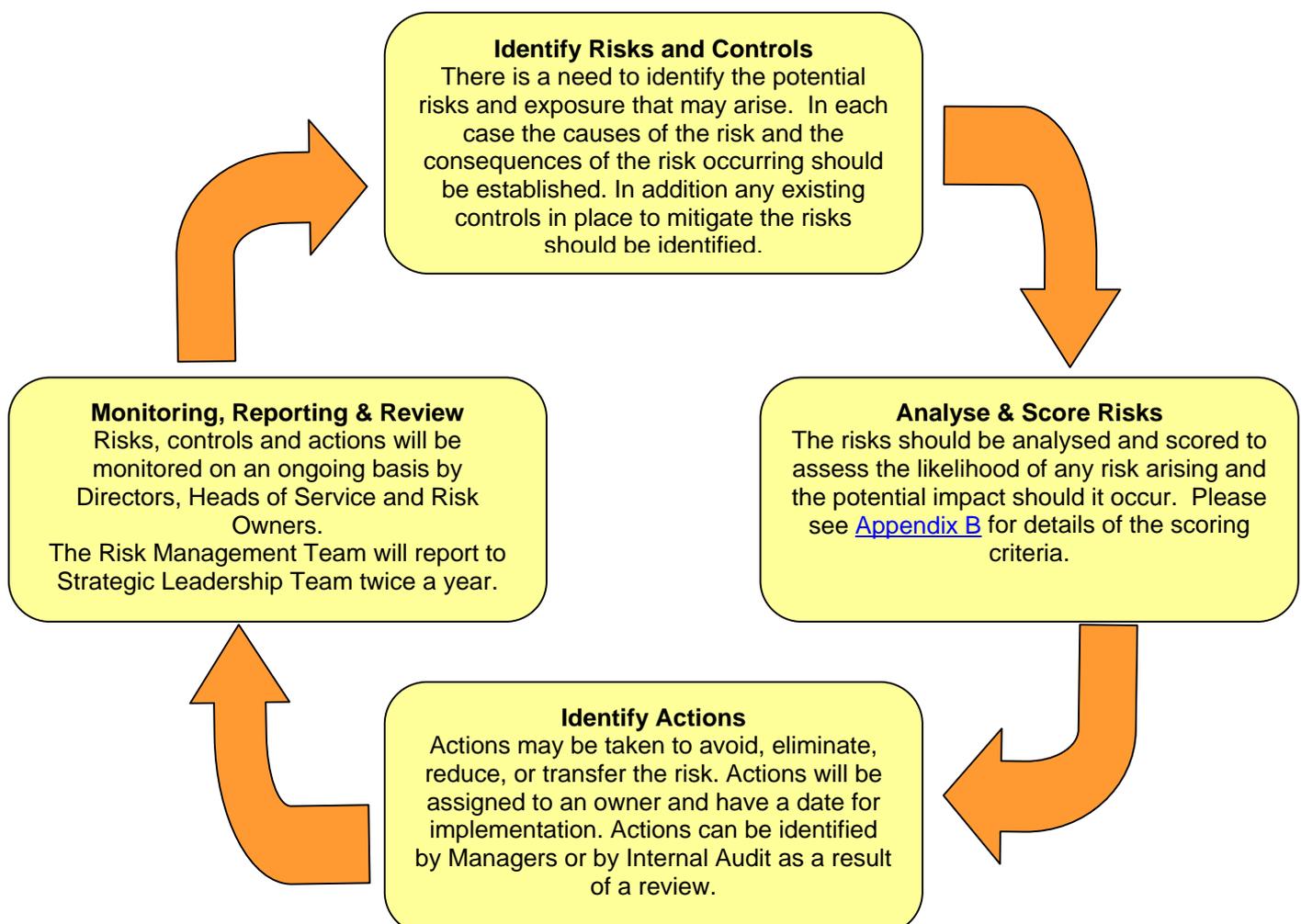
Cambridge City Council is faced with Strategic (Corporate) and Operational (Service) risks that could impact on the achievement of its objectives and the delivery of its services.

Risks can be categorised across a number of different themes. Strategic Leadership Team have identified 19 risk categories or themes. Each risk is allocated a risk category to which it best fits, some risks will fall into more than one category, but the best fit should be selected.

Please see [Appendix A](#) for a full list of the risk categories.

## The Risk Management Process

There are a number of critical steps in the process of identifying and managing risk within Cambridge City Council's activities. These are as follows:-



## Appendix 1

Risk management is a continuous process and the incidence of potential risks should be regularly reviewed to monitor changes over time.

Within the Council, officers and Members, supported by the Councils Risk Management Framework and Risk Register, undertake the processes outlined above.

There will be two key stage reviews to Strategic Leadership Team each year, in January/February and June/July. The 4Risk - Risk Management system will issue email reminders to officers of the need to review Actions. Quarterly reports setting out the significant and high scoring risks will also be produced for Directors for review with their Executive Councillor(s).

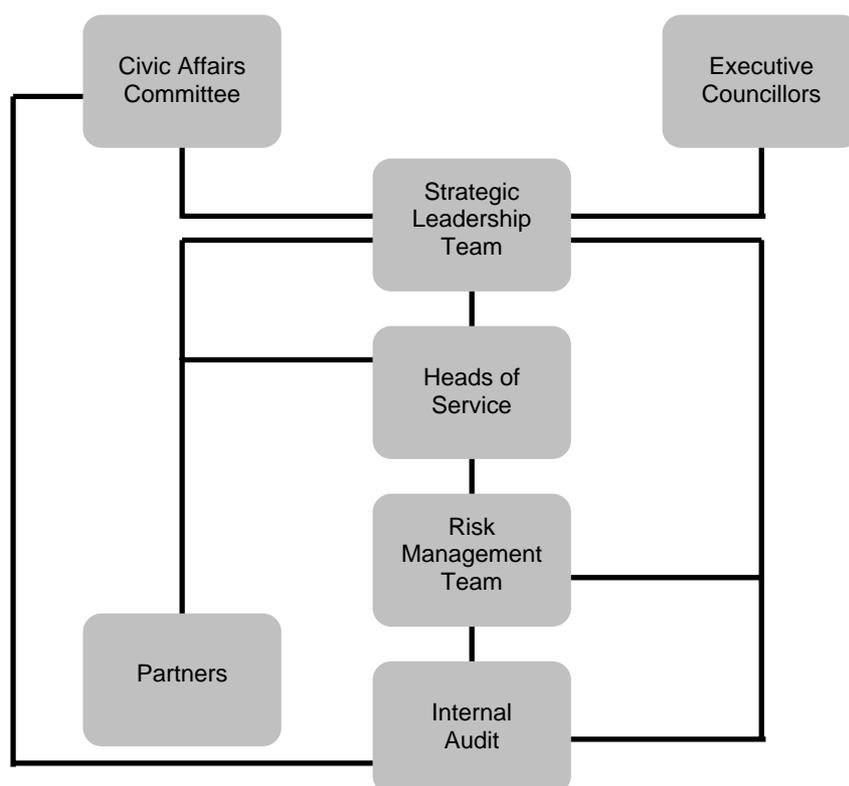
### Roles and Responsibilities

It is vital that everybody understands the role that they play in effective risk management, with every employee and Member of Cambridge City Council being responsible for ensuring effective risk management. The roles and responsibilities in the Risk Management Process are detailed below:-

<b>Group or Individual</b>	<b>Roles and Responsibilities</b>
Civic Affairs	Members of Civic Affairs have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, framework and process put forward by officers.
Executive Councillors	Ensure that risks are considered as part of the Portfolio Planning Process. Review and challenge the risks associated with their portfolios on a quarterly basis with the relevant Director.
Strategic Leadership Team	Strategic Leadership Team will approve the Risk Management Framework Process and Strategy. They will carry out twice yearly reviews of the key risks facing the Council and progress with the implementation of overdue and outstanding actions.
Heads of Service	Heads of Service will support the Risk Management framework strategy and process. Heads of Service are responsible for managing the risks within their service or associated projects and ensuring that risk activity and targets for implementing actions are achieved and that the risk register is updated on a timely basis.

<p>Risk Management Team</p>	<p>The Risk Management team (Support Services Manager and Internal Audit) is responsible for the implementation of the integrated framework, strategy and process on behalf of the Council and its Strategic Leadership Team. This team is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.</p> <p>The Risk Management Team provides advice, guidance, support and challenge on all aspects of Risk Management including training on the use of the Risk Register (4Risk).</p>
<p>Internal Audit</p>	<p>Internal Audit provides independent assurance on the effectiveness of controls within the Council to mitigate risks. Internal Audit supports the risk management process. It utilises the risk register for monitoring the progress of management agreed actions resulting from audit reports.</p> <p>As part of the production and presentation of the annual Head of Internal Audit Opinion to the Civic Affairs committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of no or limited assurance and the associated actions required.</p>
<p>Partners</p>	<p>Cambridge City Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for partnerships / shared services to be undertaken. However, it is essential that accountabilities are adequately determined and that Cambridge City Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, there will undoubtedly be some residual risks falling on the authority. It is <b>not</b> possible to transfer responsibility for the risk management process.</p>

**Risk Management Lines of Communication**



### **The Importance of an Integrated Approach**

In essence, the framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into strategy and operations.

Risk management must continue to be integrated and play a key role in the decision making process in the future.

## Glossary of Key Terms

<b>Action</b>	Something in addition to the existing controls which needs to be carried out to mitigate a risk. Once implemented actions may become controls.
<b>Analysing Risk</b>	The evaluation of risk with regard to the severity if the risk is realised, and the likelihood of the risk being realised.
<b>Cause</b>	What will cause the risk occur.
<b>Consequence</b>	What the consequence will be should the risk occur.
<b>Control</b>	Existing checks / processes in place to mitigate a risk.
<b>Corporate (Strategic) Risk</b>	Potential risks that may prevent the organisation achieving its aims and Medium Term Objectives.
<b>Impact (Severity)</b>	The probable effect on the Organisation / Service if the risk occurs (scored from 1 – 5).
<b>Likelihood</b>	The probability or chance of the risk occurring (scored from 1 – 5).
<b>Operational (Service) Risk</b>	Potential risks that managers and officers encounter during their business planning and day-to-day service delivery
<b>Risk</b>	Risk is the uncertainty of outcome, whether a positive opportunity or a negative threat, of action and events. It is the combination of likelihood and severity.
<b>Risk Management</b>	All the processes involved in identifying, analysing and profiling risks, assigning ownership, taking actions to mitigate or anticipate theme and monitoring and reviewing progress.
<b>Risk Score</b>	The exposure arising from a specific risk after controls have been put in place to manage it and making the assumption that the control is effective. The score is calculated by multiplying likelihood by severity with controls in place.

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## Appendix A – Risk Categories

<b>Risk Category</b>	<b>Risk Description</b>
<i>Growth</i>	Opportunity to influence the growth agenda to ensure the Council meets its Objectives.
<i>Financial</i>	Failure to effectively manage the Council's assets and finances including budget monitoring, financial priorities, medium/long term planning, fraud prevention.
<i>Health &amp; Safety</i>	Failure to manage health and safety effectively leading to a prosecution under the Corporate Manslaughter Act or other health and safety legislation.
<i>Major Projects</i>	Failure to adequately manage and control major CCC projects.
<i>Climate Change</i>	Failure to meet Council's climate change commitments.
<i>Recruitment &amp; Retention</i>	Failure to recruit and retain adequate number of suitable staff leading to key person dependency and loss of capacity building opportunities.
<i>Legislation</i>	Failure to ensure compliance with legislation.
<i>Business Continuity</i>	Failure to adequately plan and manage processes for unforeseen events (Civil Emergency Plan, Business Continuity Plans, IT failure)
<i>Reputation</i>	Damage to Council's reputation through adverse media coverage.
<i>Partnerships</i>	Failure to adequately manage and control partnerships working and joint agency activity and key contractor relationships.
<i>Equalities/Social Exclusion</i>	Failure to manage equalities/social exclusion (including duties for specific vulnerable groups).
<i>Political</i>	Ineffective political leadership, policy development and community leadership; member support.
<i>Officer/Member Relationships</i>	Ineffective officer/member working relationships.
<i>Planning &amp; Leadership</i>	Opportunity to maintain and continue to improve Council efficiency through clear strategic focus, planning and leadership.
<i>Governance *</i>	Inappropriate internal governance.
<i>Procurement &amp; Contract Management</i>	Failure to ensure effective procurement and contract management arrangements.
<i>IT &amp; Technology</i>	Failure to properly manage IT, data and the Council's website.
<i>Change Management</i>	Ineffective management of change, inadequate capacity and knowledge.
<i>Physical Property &amp; Assets</i>	Failure to properly manage property and other assets, to prevent damage, loss or theft.

\* (N.B. Governance refers to the framework of policies and procedures in place that ensure accountability and transparency of the way in which the Council undertakes its activities).

## Appendix B – Risk Scoring

## Cambridge City Council – Risk Matrix

Impact	5	5-10 Medium	5-10 Medium	12-15 Significant	16-25 High	16-25 High
	4	1-4 Low	5-10 Medium	12-15 Significant	16-25 High	16-25 High
	3	1-4 Low	5-10 Medium	5-10 Medium	12-15 Significant	12-15 Significant
	2	1-4 Low	1-4 Low	5-10 Medium	5-10 Medium	5-10 Medium
	1	1-4 Low	1-4 Low	1-4 Low	1-4 Low	5-10 Medium
		1	2	3	4	5
		Likelihood				

Score	Impact	Description
5	Critical	The consequences of this event occurring could cause the failure of a number of services or result in the Council having its powers removed through government intervention. The level of financial impact is likely to be over £500,000 in any year.
4	Significant disruption &/or damaging	Significant – the consequence of such an event occurring could cause the failure of the service or bring the Council into serious disrepute. The level of financial impact is likely to be up to £500,000 in any year.
3	Noticeable effect	This type of risk event would have a significant impact on a service's ability to provide its full range of activities. The result of this is that the integrity of the service/Council would be called into question by, for example an inspection service. The level of financial impact is likely to be up to £300,000.
2	Some limited disruption	These types of events can normally be dealt with through the normal day to day management of the service and internal control mechanisms. The level of financial impact is likely to be up to £50,000 in any year.
1	Virtually no impact	These events may be recognized internally but generally have no external impact and can be resolved quickly. The level of financial impact is likely to be under £5,000 in any year.

Score	Likelihood	Description
5	Dead Cert	In this case the event(s) may have already happened in the relatively recent past. Without controls it will happen again and may even occur despite controls. Projected increase in insurance premiums
4	Probable	The event is more likely to happen than not but there remains some possibility it will not. The chance of occurrence may be around 75%+.
3	Strong possibility	There is an even chance that this event may occur. (A probability would be around one in two, (50%)).
2	Some possibility	These events are not likely to occur but there remains some possibility it will. (A probability of a one in ten chance of this event occurring (10%)).
1	Little chance	These events will only occur in exceptional circumstances. (A probability of less than one in fifty (2%).