PERTH & KINROSS COUNCIL

AUDIT COMMITTEE

30 June 2021

STRATEGIC RISK REGISTER

Report by Head of Legal & Governance Services
(Report No. 21/110)

> This purpose of the report is to provide assurance that the Council's Risk Management Framework is adequate and effective and to advise the Committee of the current key strategic risks facing the organisation and how those will be managed.

1. EXECUTIVE SUMMARY

1.1 In terms of good governance, effective risk management is a key element of the Council's system of internal control. As such, it is reviewed as part of the assurance exercise undertaken to produce the Council's Annual Governance Statement. A further detailed review of the Strategic Risk Register has also been undertaken to ensure that that it reflects the current key strategic risks facing the organisation at this time.

1.2 The Council's Risk Management Framework was approved in 2017 and has been reviewed since that time to ensure that it remains fit for purpose. The Framework represented a fresh approach to risk management based on the Management of Risk methodology. The approach is now embedded across the Council and risk at all levels is managed through a continuous process of identification, assessment, evaluation, prioritisation, and mitigation. Risk is evaluated based on the likelihood of the risk arising (probability) and the potential impact in both financial and non-financial terms. Given that risk can never be eliminated completely, proportionate controls and mitigation measures are then put in place to manage the risk.

1.3 The Council's approach to risk management as set out in the Risk Management Strategy has been effective in identifying, assessing, evaluating, mitigating and managing risk, appropriately and proportionately during the period 2020/21. The Risk Management Framework has been able to flex and adapt to provide an effective mechanism for managing the new and unprecedented risks which have faced the Council in the past year, as it has sought to maintain the operational delivery of essential services and deliver new services in response to the global public health crisis due to the COVID-19 pandemic.

1.4 The Strategic Risk Register reflects our assessment and evaluation of the key strategic risks which the Council is facing currently. Risk is fluid however and the risks, their scoring and the controls and mitigating actions need to be continually monitored and reviewed.

2.   CONTEXT: Summary of Risk Activity 2020/21

2.1   In response to the global health pandemic, the Council implemented effective and appropriate civil contingencies arrangements. These included an effective operational command structure to ensure the effective discharge of the Council's duties as a Category 1 responder to protect the health and wellbeing of our communities during this time and the continued delivery of essential operational services. The command structure ensured effective risk management at both a strategic and operational level of existing, new and emerging risks. A separate COVID-19 risk register was managed through Silver Command, with the Silver Commander being the Senior Risk Officer. As restrictions eased after the first lockdown, work was carried out to identify which risks from the COVID-19 risk register required to now be managed through the established mechanism of Strategic and Service Risk Registers. This was as the Council twin tracked recovery and renewal activities alongside the public health response.

2.2   In March 2021, the Performance, Planning and Risk Group (PP&R), who are trained risk practitioners, carried out a PESTILE and SWOT exercise to scope out and to highlight the current context the organisation was operating in. The PP&R Group also carried out a critical review of the strategic risk register in terms of both context and format. Internal Audit also completed a review of other Local Authority risk registers for benchmarking purposes. A workshop session was carried out with the Executive Officer Team (EOT) to agree the context and establish a programme of work for 2021 for risk management. A new, more user-friendly format to the Risk Register was also agreed.

2.3   A workshop session in April 2021 was carried out with the Corporate Management Group (CMG) and the PP&R group. This consisted of constructive challenge and scrutiny of the nature of the risks, scoring and controls. The PP&R group then worked with Risk Owners and Actioners to finalise the context of the revised strategic risk in the new agreed format.

2.4   The redeveloped Strategic Risk Register is attached at Appendix 1. The format has been amended to provide a more concise view of the existing risk control measures. A risk overview section has also been added which provides context in respect to the status of the risk overall.

3.   CURRENT KEY RISKS

3.1   There are currently eleven key strategic risks identified on the risk register. The INHERENT risk score is the evaluation of the risk prior to any control actions being implemented. The RESIDUAL risk score is the evaluation of the risk based on the probability and impact once control/mitigation measures are implemented.

3.2   The risks are articulated in terms of cause and effect to ensure that there is a clear understanding of the various factors which potentially give rise to the risk being realised.

3.3 Some risks cannot be reduced significantly regardless of what mitigating factors are put in place. Furthermore, risks are not exclusively negative and indeed some risks present potential opportunities for change and improvement. It is also recognised that the Council alone is not solely responsible for the management of a number of key strategic risks which will impact on the achievement of positive outcomes for our communities. The risk response therefore may vary (Accept/Avoid/Reduce/Transfer/Share/Enhance/Exploit) depending upon the nature of the risks and the circumstances.

3.4 Based on the evaluation the highest (Priority 1) risks facing the Council relate to: -

- the protection of vulnerable children and adults
- reducing the impact of climate change
- addressing poverty and the inequalities gap
- service redesign
- growing the local economy

3.5 The fact that other risks are scored lower in no way signifies that these are of lesser importance; the scores are more reflective of the scope and effectiveness of the current controls within the direct influence of the Council. Similarly, some other important risks will sit on Service Risk Registers in accordance with the Risk Management Strategy. These will be monitored and managed by the relevant Senior Management Teams, subject to the provisions within the Framework governing escalation and accountability.

4. NEXT STEPS

4.1 To strengthen our Risk Management Framework further, we are currently in the process of procuring a new software solution for risk management with will be integrated with performance management. This will allow the organisation to align our performance and risk data and activity more closely to our strategic objectives. The approach will provide a more holistic view of key issues, challenges, and opportunities to support better informed evidence-based decision making across the organisation.

4.2 The impact of the pandemic has significantly altered the public sector landscape. The last year has demonstrated the value and benefits of closer collaboration with our public partners, the private and third sector and with communities themselves and we must capitalise on this through the Perth and Kinross Offer. As we continue to twin track between response and recovery, we must challenge our traditional thinking around the design and delivery of our services to ensure that they meet the increasing and changing needs of our communities now and in the future. As an organisation we need to review and increase our appetite for risk. Accordingly, we will be engaging with elected member and officers to further develop our Risk Appetite Statement in the course 2021/22.

4.3 An in-house risk management training programme was developed at the start of 2020, however, roll out of the programme had to be put on hold as resources were diverted to responding to the public health emergency. This will be refreshed to ensure that it is relevant and fit for purpose and a new e-learning training module is also being created and will be rolled out in the Autumn of 2021.

5. CONCLUSION AND RECOMMENDATION

5.1 The Council's Risk Management Framework is robust and effective and will continue to be reviewed throughout 2021/22 to ensure that it remains fit for purpose. A programme of work is in place to further develop the framework to better support the organisation to achieve its strategic objectives and deliver better outcomes for the people of Perth & Kinross

5.2 It is recommended that the Committee:

i) considers the content of the report and provide appropriate and constructive scrutiny
ii) notes the current key strategic risks which have been identified through the application of the approved risk management process.

Authors

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Approved

Name	Designation	Date
Barbara Renton	Interim Chief Executive	20 June 2021

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1.   **IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION**

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	**Yes**
Corporate Plan	**Yes**
Resource Implications	
Financial	**None**
Workforce	**None**
Asset Management (land, property, IST)	**None**
Assessments	
Equality Impact Assessment	**None**
Strategic Environmental Assessment	**None**
Sustainability (community, economic, environmental)	**None**
Legal and Governance	**None**
Risk	**None**
Consultation	
Internal	**Yes**
External	**None**
Communication	
Communications Plan	**No**

1.   **Strategic Implications**

        Community Plan / Corporate Plan

1.1   This report supports the delivery of the Strategic Objectives within Perth and Kinross Community Plan (Local Outcomes Improvement Plan) 2017-2027 and Corporate Plan 2018-2022.

2.   **Resource Implications**

        Financial

2.1   There are no financial implications arising from this report.

        Workforce

2.2   There are no workforce implications arising from this report.

        Asset Management (land, property, IT)

2.3   There are no asset management implications arising from this report.

3.   Assessments

Equality Impact Assessment

3.1   Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

3.2   This report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- Assessed as not relevant for the purposes of EqIA

Strategic Environmental Assessment

3.3   The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

3.4   Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

3.5   The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Legal and Governance

3.6   Not applicable.

Risk

3.7   Not applicable.

4.   Consultation

Internal

4.1   Service Management teams, the Corporate Management Group and Executive Officer Team were consulted during the preparation of this report.

External

4.2   Not applicable.

2.   BACKGROUND PAPERS

Not applicable.

3.   APPENDICES

Appendix 1 - Strategic Risk Register June 2021