

PERTH AND KINROSS COUNCIL

Scrutiny Committee – 8 February 2017

Strategic Policy and Resources Committee – 8 February 2017

CORPORATE RISK MANAGEMENT STRATEGY

**Report by the Depute Chief Executive, Environment
(Sustainability, Strategic and Entrepreneurial Development)**

This report presents a new Risk Management Policy, Strategy and Framework, to reflect the changing circumstances facing the Council.

1 BACKGROUND/ MAIN ISSUES

- 1.1 The effective management of risk in the Council's activities is a vital part of supporting the delivery of positive outcomes for Perth and Kinross, and is a key part of the Council's strategic improvement framework.
- 1.2 If we do not manage risk effectively, the consequences can impact on the Council's reputation, its financial position, and safety of staff and the public. However, adopting an approach which is too risk averse can deprive the Council of the opportunities to be innovative and creative, in tackling the considerable challenges facing our public services.
- 1.3 Risk Management is part of the Council's overall governance framework. Governance around local government decision-making and delivery has never been so crucial or complex, as we continue to adapt to changing circumstances and develop more diverse and ambitious ways of working with partners and with our communities. Therefore a review of our approach to risk management is necessary, including the existing Corporate Risk Management Strategy. The key drivers are:
 - The impact of public service reform, with new operational models such as the Integration Joint Board for Health and Social Care.
 - The move to more partnership based working, through Arms Length External Organisations (ALEOs) such as Culture Perth and Kinross; collaborative working with other Councils; and our changing engagement with communities through local Action Partnerships.
 - With the challenges facing the Council we need to be more entrepreneurial and commercial in our approach, to create our authorising environment, where we are highly risk aware, but not risk averse.

- 1.4 To support the review of our risk management arrangement, an Internal Audit review of the current Risk Management Strategy was carried out as part of the audit plan for 2015/16, with the scope to ensure the adequacy of corporate risk management within the Council. The final report was submitted to the Audit Committee on 29 June 2016 (Report no 16/309).
- 1.5 This audit identified a number of opportunities for the Council to develop its risk management arrangements further, to provide greater levels of assurance to senior management and Elected Members that key risks are being managed effectively. The key opportunities identified for further improving the Council's approach are detailed in Appendix 1.
- 1.6 Therefore this report contains a revised approach to risk management, and taking the above factors into account.
- 1.7 Elected Members have a key role in managing risks, as well as the scrutiny of Council services in mitigating these risks. This role is being reflected in new guidance being prepared by the Scrutiny Committee Review Group, to assist all Members in their scrutiny role for the Council.

2. PROPOSALS

- 2.1 The new approach to risk management is contained in Appendix 2. A revised risk management framework has been developed based on best practice industry standards including the International Standard in Risk Management – ISO: 31000 and the Office of Governance & Commerce (OGC) Management of Risk Guidance (MoR) and the Association of Local Authority Risk Managers, (ALARM). The revised framework incorporates the opportunities identified within the Internal Audit report.
- 2.2 In accordance with the above guidance, our risk management framework is set out in 4 parts:
 - Risk Management Policy - statement of the Council's commitment to effective risk management
 - Risk Management Strategy – articulates our overall approach to risk and provides a detailed risk hierarchy
 - Risk Management Appetite Statement – describes the levels of risk the Council is prepared to tolerate in pursuit of our objectives
 - Risk Management Process Guide - details how the risk management process will be carried out at an operational level

2.3 The key changes to the previous Risk Strategy are:

- Distinctive statements of policy, strategy, risk appetite and process, to meet good practice from internal audit reports, and national standards (see section 2.1).
- Detailed description of our Risk Management Process.
- Clear definition for the terminology used by the Council in Risk Management, so there is no ambiguity.
- Statements and direction on the need to be risk aware not risk adverse, and ensuring the risks involved are not maximising opportunities available.
- Commentary on our own approach to managing risks within our multiple partnership arrangements.

2.4 The Internal Audit review recognised the need for additional training as there has been a turnover of staff involved in this activity recently, and it is proposed that key staff in services undertake the Management of Risk (MoR) course, or equivalent. This course is aimed at anyone working within a corporate governance environment that has responsibilities for identifying, assessing, planning, or managing risks, or reporting on risk management activities across the organisation.

2.5 The next stage in development of our approach of risk is to undertake risk workshops to familiarise staff with this new approach, establish milestones, define the risk appetite and refresh the risk probability and impact matrixes, as well as the governance for the risk and controls.

3. CONCLUSION AND RECOMMENDATION

3.1 The Strategic Policy and Resources Committee is asked to:

- (a) Approve the proposed Risk Management Policy, Strategy and Appetite detailed in Appendix 2.

3.2 The Scrutiny Committee is asked to:

- (a) Note the contents of the proposed Risk Management Policy, Strategy and Appetite detailed in Appendix 2.

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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	Yes
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Community Plan / Single Outcome Agreement/Corporate Plan

- 1.1 This report supports the delivery of the Strategic Objectives within Community Plan/ Single Outcome Agreement 2013-23 and Corporate Plan 2013-18.

2. Resource Implications

Financial

- 2.1 Not applicable

Workforce

- 2.2 Formal risk management training should be provided for all risk-responsible staff within the Council. Training should also be provided to staff at all levels of the Council to ensure all staff are empowered to highlight new and emerging risks.
- 2.3 Staff with responsibility for risk management at Corporate and Service levels should be encouraged to obtain a formal risk management qualification.

Asset Management (land, property, IT)

- 2.4 Not applicable

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

Internal

- 3.6 The Head of Legal and Governance has been consulted in the preparation of this report.

External

- 3.7 No external consultation was required in the preparation of this report.

Risk

- 3.8 This report is entirely related to the management of risk in the organisation

4. Consultation

Internal

- 4.1 The Head of Legal and Governance, Head of Democratic Services and Chief Internal Auditor have been consulted in the preparation of this report.

External

- 4.2 No external consultation was required.

5. Communication

- 5.1 Communicating this new approach to risk management will be central to embedding good practice in the organisation. Subject to approval of the report a Communications Plan will be implemented to achieve this objective

2. BACKGROUND PAPERS

- 2.1 Internal Audit Report, Corporate Risk Management Assignment 15-34, March 2016 (Report no 16/309).

3. APPENDICES

- Appendix 1 – Internal Audit Recommendations
- Appendix 2 – Perth and Kinross Council Risk Management Policy, Strategy and Appetite

Appendix 1

Internal Audit Recommendations

- (1) Define the Council's risk appetite - this should drive the Council's approach to risk management and provide officers with clear guidance around how risks should be managed. The risk appetite should also be used to promote a more positive approach to risk which makes it clear that the Council is not risk averse and should be used for identifying and exploiting opportunities.
- (2) Publish and implement a revised stand-alone Corporate Risk Management Strategy along with an overarching Risk Management Framework. These should be approved by the appropriate Council committee, and communicated to all officers to emphasise the importance of developing and embedding a positive risk management culture.
- (3) Consider restructuring the format of the current risk profiles (risk registers). This should reflect the needs of all strategic and operational decision making groups (e.g. Committee, EOT and SMTs), link to operational risk profiles and have a focus on overall risk assessment. This should include appropriate analysis of internal and external factors/conditions, rather than changes to identified controls associated with risks as is currently the case.
- (4) To ensure appropriate awareness of and engagement in risk management, Elected Members should have sight of Corporate and Service Risk Profiles on a regular basis (at least 6-monthly) through reporting to relevant Council Committees.
- (5) Executive and Service management should ensure that there is assessment of risk profiles on a more frequent basis. This will allow for continuous identification and assessment of emerging risks and this should encourage a more pro-active approach to risk management.
- (6) There is scope to enhance risk management reporting to ensure a more targeted and focused approach within strategic and operational Council governance groups. At present, risk is being reported alongside performance information but there was limited evidence of risk management being subject to regular detailed assessment.
- (7) The Council should assess the effectiveness of those groups (e.g. Scrutiny Committee, EOT and SMTs) identified in the Corporate Risk Management Strategy as having risk management responsibilities to confirm the extent to which they are contributing to effective risk management throughout the Council.

- (8) Formal risk management training should be provided for all risk-responsible staff within the Council. Training should also be provided to staff at all levels of the Council to ensure all staff are empowered to highlight new and emerging risks.
- (9) The Council should encourage staff who are responsible for risk management at Corporate and Service levels (i.e. risk champions) to obtain a formal risk management qualification.