

PERTH & KINROSS COUNCIL

AUDIT & RISK COMMITTEE

28 June 2022

ANNUAL REPORT - STRATEGIC RISK MANAGEMENT

Report by Head of Legal & Governance

(Report No. 22/158)

1. PURPOSE

The purpose of the report is to provide assurance that the Council's Risk Management Framework is adequate and effective and to advise the Audit Committee of the current key strategic risks facing the organisation and how these risks are being mitigated and managed.

2. RECOMMENDATION(S)

It is recommended that the Committee:

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

3. STRUCTURE OF REPORT

3.1 This report is structured over the following sections:

- Section 4: Context
- Section 5: Summary of risk activity 2021/22
- Section 6: Key strategic risks for 2022/23
- Section 7: Conclusion and Next steps
- Appendix 1 Strategic risk register 2022/23

4. CONTEXT

4.1 Effective risk management is a key element of the Council's system of internal control and essential to the good governance of the organisation. As such, the effectiveness of the Risk Management Framework is reviewed as part of the assurance exercise undertaken to produce the Council's Annual Governance Statement each year. Further detailed

work has also been undertaken to review the Council's Strategic Risk Register to ensure that it reflects the current key strategic risks facing the Council at this time.

- 4.2 The Council's Risk Management Framework was approved in 2017 and is reviewed regularly to ensure that it remains fit for purpose. The Framework is based on the Management of Risk (M_O_R®) 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.
- 4.3 The Council's approach to risk management as set out in the Risk Management Strategy has been assessed as being effective in identifying, assessing, evaluating, prioritising, and mitigating and managing risk, appropriately and proportionately during the period 2021/22.
- 4.4 The Strategic Risk Register reflects our identification, assessment and evaluation of the key strategic risks which the Council is facing at this point in time. It sets out the current control measures in place which help us to mitigate the impact of the risks. Given that risk is fluid by its nature, being an uncertain event; the identification of risks, scoring and the controls and mitigating actions needed to mitigate the risks, need to be continuously monitored and reviewed.

5 RISK ACTIVITY 2021/22

- 5.1 For a significant part of the year, the Council was still very much in response mode in relation to the global health pandemic. This saw a continuation of appropriate civil contingencies arrangements with an effective operational command structure in place for COVID-19 response activities. Throughout the year, strategic and operational risks have been managed in accordance with the Risk Management Framework.
- 5.2 During 2021/22, the Performance Planning & Risk Group (PP&R), who are trained risk practitioners, undertook a programme of work internally and with the Perth & Kinross Health and Social Care Partnership to further embed and enhance risk management practice, accountability and transparency and to develop and deliver, internal training and support. Some of the key activities undertaken or underway are stated below:-
 - (a) A risk and performance management software solution has been procured and this will transform the way in which we manage our data. This will allow greater links between risks, performance, and

our outcomes. 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.

- (b) A risk e-learning module has been developed to support staff across the Council to understand risk, the risk management process, and the M_O_R® approach which the Council have adopted. The roll out will commence in Summer 2022.
- (c) The group are reviewing Risk Response Plans and developing a standardised approach across the organisation which clearly sets out how risks are to be mitigated and enables the Services to better track improvement actions.
- (d) A training and development session was delivered to Integrated Joint Board (IJB) members to enhance their understanding of the complex risk management arrangements which are particular to the IJB/HSCP and to assist them in their scrutiny function. Further work will be done to support them in developing their risk appetite and to ensure appropriate mechanisms for risk assurance between the Council, HSCP and IJB.
- (e) The Strategic Risk Register, and other key Risk Management Framework documents, were published on the Performance pages of the Council website. This was done in conjunction with a review of the risk pages of the Council intranet, resulting in additional templates and guidance being added to further support staff.

6. STRATEGIC RISK REVIEW PROCESS

- 6.1 The PP&R have carried out PESTLE and SWOT analysis to scope out the current risk landscape both strategically and operationally, working with Service Management (SMT) and Executive Leadership Teams. The PP&R Group, SMTs and the Policy & Governance Group have also carried out a critical review of strategic and service risk registers and have assessed the system of internal control for risk management as part of the assurance process for the Annual Governance Statement.
- 6.2 Workshop sessions have been undertaken where nature, scoring and control measures for risks have been scrutinised and challenged risks to ensure that the risk assessment remains relevant and is robust.
- 6.3 The refreshed Strategic Risk Register is attached at Appendix 1. The format provides a concise view of the existing risk control measures. A risk summary section provides context in respect to the status of the risk overall.
- 6.4 There are currently 11 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.

- 6.5 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 and the impact that they may have in various areas.
- 6.6 It should be noted that some risks cannot be reduced significantly, regardless of what control or mitigation measures are put in place. This may be particularly relevant where the risk is not one which can be managed by the Council alone and requires mitigating action to be taken by other parties. Furthermore, risks need not always be negative in impact; some uncertain events will give risk to potential opportunities (e.g. for change or improvement). Our response to risk (Accept/ Avoid/ Reduce/ Transfer/ Share/ Enhance/ Exploit) therefore will vary depending upon the nature of the risks, the potential impact and particular circumstances at a given time.
- 6.7 Risks are then prioritised, based on the RESIDUAL risk score;-
- Priority 1 : Residual risk score 16-25
 - Priority 2 : Residual risk score 10-15
 - Priority 3 : Residual risk score 6-9
 - Priority 4 : Residual risk score 1-5
- 6.8 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
 - growing the local economy
 - financial resilience
 - addressing poverty and the inequalities gap
 - sustainable public services
- 6.9 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 Risk Management Framework governing escalation and accountability.

7. NEXT STEPS

- 7.1 To further strengthen our risk management capability, we have procured a new software solution for integrated risk and performance management. This will help us to use risk and performance data more effectively and allow us to align activity more closely with the achievement of 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.

- 7.2 There is no doubt that the impact of the pandemic has significantly altered the public sector landscape and increased the challenges and expectations in terms of delivering the services that our communities need. The previous two years have demonstrated the value and benefits of closer collaboration with our public partners, the private and third sector and with communities themselves and through the Perth and Kinross Offer we are looking to capitalise on the knowledge and the experience gained.
- 7.3 During the year 2021/22, we twin-tracked between response to, and recovery from, the global health crisis. We now face significant challenges in terms of financial resilience and sustainability at a time when our local economy is failing, we face a cost of living crisis and increasing poverty/inequalities, a decline in people's mental health and wellbeing and an increasing demand for our services. We must, therefore, challenge our traditional thinking around the design and delivery of services to ensure that they meet the increasing and changing needs of our communities, now and in the future. Change and transformation needs a positive approach to risk and we will look to review and refresh our appetite for risk. Accordingly, we will be engaging with elected members and officers to further develop our Risk Appetite Statement in the course 2022/23 as we roll out and implement our new Transformation & Change Strategy.
- 7.4 We recognise the importance of ongoing risk management training. Our in-house programme was developed in 2022 but roll-out was delayed as resources were diverted to responding to the public health emergency. This has been refreshed to ensure that it is relevant and fit for purpose and a new e-learning training module has been created which will be rolled out during 2022-23

8. CONCLUSION

- 8.1 The Council's Risk Management Framework is robust and effective and will continue to be reviewed throughout 2022/23 to ensure that it remains fit for purpose.
- 8.2 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. Risk will continue to be regularly monitored, reviewed and managed in accordance with the approved Risk Management Framework.

Authors

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Approved

Name	Designation	Date
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ANNEX

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 Senior Managers and the Executive Leadership 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 2022