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## **RISK MANAGEMENT ANNUAL REPORT 2016/17**

**Report by Chief Officer Audit & Risk**

### **AUDIT AND RISK COMMITTEE**

**28 March 2017**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to provide members with an overview of Scottish Borders Council's responsibilities in respect of risk management and the progress made to deliver the Council's Risk Management Strategy (approved by Council in February 2016) including an update on improvement actions to refine the arrangements to managing risk at the Council.**
- 1.2 Effective Risk Management is one of the foundations of effective Corporate Governance and is recognised as such in the Council's Local Code of Corporate Governance. Compliance with the principles of sound corporate governance requires the Council to adopt a coherent approach to the management of the risks that it faces every day. Common sense serves to underline the message that better and more assured risk management will bring many benefits to the Council and the people it serves.
- 1.3 Part of the Audit and Risk Committee's role is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.
- 1.4 The findings of the Risk Management review undertaken during 2014 were endorsed by the Audit and Risk Committee in January 2015, to refine the risk management arrangements at the Council to ensure their on-going effectiveness. A report on status of recommended improvement actions 2015/16 was presented to the Audit and Risk Committee in June 2016.
- 1.5 The Council continues to refine its approach to Risk Management and embed these key aspects into the management practices of the Council, as shown within this report which outlines progress made during 2016/17.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit and Risk Committee**
  - a) acknowledges that it is satisfied with the progress of the risk management improvement actions to refine the risk management arrangements at the Council to ensure their on-going effectiveness; and**
  - b) considers whether any further action is required.**

### 3 BACKGROUND

- 3.1 Effective Risk Management is one of the foundations of effective Corporate Governance and is recognised as such in the Council's Local Code of Corporate Governance (approved by Council, May 2016). Compliance with the principles of sound corporate governance requires the Council to adopt a coherent approach to the management of the risks that it faces every day. Common sense serves to underline the message that better and more assured risk management will bring many benefits to the Council and the people it serves.
- 3.2 The findings of the Corporate Risk Management Review undertaken during 2014 were endorsed by the Audit and Risk Committee in January 2015. In summary, it concluded that although risk management arrangements were in place they were not fully embedded within the business planning and performance management, monitoring and reporting processes.
- 3.3 Management continue to be advised and supported by a central specialist support resource, 1 FTE Corporate Risk Officer post within the Audit & Risk service, to fulfil their responsibilities for managing risk. The Corporate Risk Officer provides professional advice and support and maintains an overview of risk management across the Council to ensure systems of identification, evaluation and management of key risks facing the Council continue to be robust. These include: scheduling and facilitation of risk reviews; provision of guidelines; refresh on risk management practices during risk workshops; and delivery of Risk Management training for managers within the Corporate Training Programme.
- 3.4 Part of the Audit and Risk Committee's role is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy. A report on status of recommended improvement actions 2015/16 was presented to the Audit and Risk Committee in June 2016.

### 4 RISK MANAGEMENT REVIEW PROGRESS 2016/17

- 4.1 The risk management landscape is dynamic and as the Council, in common with other local authorities, increasingly moves towards partnerships and alternative delivery models, the spectrum of risks that the Council is exposed to also increases.
- 4.2 Examples are set out below of specific work carried out by the Corporate Risk Officer with relevant managers in 2016/17 outlining further progress against the improvement actions themes.

#### ***Revised Risk Management Policy***

- 4.3 The revised Corporate Risk Management Policy statement (approved by Council in February 2015) sets out the Council's systematic approach to the identification, evaluation and effective management of the risks it faces every day, including roles and responsibilities. (Complete)

#### ***Revised Risk Management Strategy, Procedures and Guidelines***

- 4.4 The Corporate Risk Management Strategy (approved by Council in February 2016) sets out the arrangements for applying the risk management policy in practice, building on the foundation of existing risk management arrangements and adding value by aligning risk management to the business planning and performance management processes. Guidelines, Templates and Prompt Lists are updated, as appropriate, and published on the Intranet. (Complete)

### ***Risk Management alignment with Business Planning Process***

- 4.5 A systematic approach to the identification, evaluation and effective management of the risks has been applied as part of the Business Planning cycle to align risks with corporate objectives. This ensures that the risks to achieving these objectives are identified and prioritised. The Business Planning process continues to evolve with the aim of consistent application across the Council's services. (Ongoing)
- 4.6 These risk management advisory and support services are also provided to SB Cares and the Scottish Borders Health and Social Care Integration Joint Board using the same systematic approach as part of their respective business or strategic planning processes. While Live Borders are subject to a contractual obligation to the Council to have proper risk management processes in place, they meet this obligation through their own resources.

### ***Risk Management Training Programme***

- 4.7 The Risk Management training for managers within the Corporate Training Programme is supported by senior management. The Course was reviewed in January 2017 to refresh the content and keep it relevant to the dynamic environment faced by SBC. There is an increased focus on risk management within programmes, projects and decision making. The Course Objectives are: Understand why the management of risk is an essential part of management responsibilities; Understand how managing risks is fundamental to business plan/programme/project/strategy/decision making; Be able to identify risks to achieving objectives and to put actions in place to mitigate these risks; and Understand how risks are analysed, assessed, recorded and monitored in the Council.
- 4.8 As of 16 March 2017, there have been 15 training events delivered by the Corporate Risk Officer. These have been attended by 129 managers, and positive feedback was received. Training course dates continue to be scheduled in 2017 on a monthly or quarterly basis dependent on demand to ensure that all relevant managers and those involved with delivering programmes and projects undertake this training. (Ongoing)

### ***Facilitated Risk Management Workshops, Use of Covalent and Standardisation of Risk Reporting***

- 4.9 The Council now has a standard risk management process with risk registers at Corporate and Service levels uploaded to Covalent, the Council's performance management system. Risk registers have been developed for all Service areas, with the exception of Children & Young People directorate which currently has a strategic risk register. Risks are formally reviewed with the Risk Owner and the relevant Management Team on a quarterly basis, and Covalent is updated to reflect this. Service Director sign off takes place quarterly to ensure appropriate oversight, though full engagement is required in some service areas to ensure consistent application across all Corporate and Service risk registers.
- 4.10 The Corporate Risk Officer continues to work with the Corporate Performance Management team to enhance Risk reporting linked with the business planning and performance monitoring reporting process within Covalent. Improved Covalent functionality has provided the opportunity for service managers to monitor their Business Plan Actions, Performance Indicators and Risks through dedicated portals, creating a valuable management information tool that needs to be fully exploited to its best use. All Portals are now set up and include risks registers for directorates or services where these exist. (Ongoing)

- 4.11 Facilitated Risk workshops take place to develop risk registers as requested relating to projects and programmes, and joint working and partnership arrangements. For example:
- Develop the strategic risk register for the Council's Digital Transformation Programme. Focus on ensuring that risk management of the projects initiated to deliver the Digital Transformation Programme are aligned and appropriately communicated/escalated when necessary;
  - The Council's Information Governance Group now has risk management embedded into every meeting of the Group and is an excellent example of the success of the Risk Review to recognise significant risks and embed a positive risk management culture;
  - Refresh of the strategic risk register for the Scottish Borders Health and Social Care Integration Joint Board, following the appointment of an interim Chief Officer. Support to project leads within the Integrated Care Fund to help achieve positive outcomes for the people of the Scottish Borders;
  - On the back of similar work for the Child Protection Committee (multi agency), development of a risk register for the Adult Protection Committee (multi agency) to ensure risks to achieving their objectives are identified and prioritised. This work is almost ready to be taken to the Committee for approval.

#### ***Risk Management Roles and Responsibilities***

- 4.12 Roles and Responsibilities have been clarified in the Policy Statement and Strategy which includes clarification of risk escalation. (Complete)
- 4.13 Management have the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks that potentially endanger or have a detrimental effect upon the achievement of the Council's objectives and its people, property, reputation and financial stability whether through core service delivery or through a programme of change.
- 4.14 During 2016/17 various Service Directors representing the diverse range of Council services have made presentations to the Audit and Risk Committee at each of their meetings on the strategic risks facing their services and the internal controls and governance in place to manage / mitigate those risks to demonstrate how risk management is embedded within services. This approach has provided the opportunity to the elected and external members of the Committee as part of their oversight remit to gain a fuller understanding of how Management are discharging their risk management responsibilities in practice and to enable them to hold Management to account on the application of revised Corporate Risk Management Policy.

#### ***Conclusion***

- 4.15 The above demonstrates that as a result of the Corporate Risk Management Review 2014 and the implementation of recommended improvement actions during 2016/17, the management of risks is being embedded and recognised as an essential part of management practice above and beyond the business planning remit. It is becoming an essential part of decision making and should help to ensure that decisions are taken and risks are fully understood. Risk management is moving away from solely being a process to being an essential part of management activities which is the key objective of the Corporate Risk Management Policy 2015.

## **5 RISK MANAGEMENT NEXT STEPS 2017/18**

- 5.1 It is recognised that further work is required to ensure the consistent application of arrangements for applying the Corporate Risk Management Policy in practice. For example, development of the remaining Risk Registers in all Council services and attendance of remaining relevant senior managers on the Corporate Risk Management Training course with the support of Corporate Management Team and the full engagement of Service Directors.
- 5.2 The year-3 programme of work for 2017/18 for the Corporate Risk Officer will build on work undertaken in 2016/17 and the positive outcomes and working relationships that have been established.
- 5.3 The focus in 2017/18 is to identify where work needs to be done to confirm systematic and effective risk management arrangements including partnership arrangements, transformation and change programmes and projects. One such example is the Digital Transformation Programme in light of its strategic risk profile, and the transformation and change dynamics and requirements over the coming months. One of the expected outputs from the involvement of the Corporate Risk Officer would be the design and implementation of an approach and tools to enable consistent management of risk across the Corporate Transformation Programme.

## **6 IMPLICATIONS**

### **6.1 Financial**

There are no financial implications as a direct result of the report. All the costs involved are contained within the central Risk Management (1 FTE Corporate Risk Officer) or departmental budgets. Any additional costs arising from enhanced risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

### **6.2 Risk and Mitigations**

The report sets out an overview of Scottish Borders Council's responsibilities in respect of risk management. It also describes the progress made on implementing the recommended improvements arising from the 2014 review to refine the risk management arrangements at the Council to ensure their on-going effectiveness.

### **6.3 Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

### **6.4 Acting Sustainably**

No direct economic, social or environmental issues with this report.

### **6.5 Carbon Management**

No direct carbon emissions impacts as a result of this report.

### **6.6 Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

### **6.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

## 7 CONSULTATION

- 7.1 The Corporate Management Team has been consulted on this report and any comments received will be incorporated into the report.
- 7.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer HR and the Clerk to the Council have been consulted on this report and any comments received have been incorporated into the report.

### Approved by

**Jill Stacey, Chief Officer Audit & Risk**      **Signature .....**

### Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel 01835 825036
Justine Leuty	Corporate Risk Officer Tel 01835 824000 Ext 8076

**Background Papers:** Scottish Borders Council's Corporate Risk Management Policy statement (February 2015) and Corporate Risk Management Strategy (February 2016)

**Previous Minute Reference:** Audit and Risk Committee 28 June 2016

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Justine Leuty can also give information on other language translations as well as providing additional copies.

Contact us at Justine Leuty, [jmleuty@scotborders.gov.uk](mailto:jmleuty@scotborders.gov.uk)