

Risk Management Strategy

Introduction

Scottish Borders Council (SBC), like all organisations, faces a wide range of risks at all levels of the organisation. The Risk Management landscape is dynamic and, as local authorities increasingly moves towards alternative delivery of essential services and partnership arrangements, the spectrum of risks to which SBC is exposed also increases.

Senior Management are committed to minimising these risks and recognise that effective Risk Management is one of the foundations of effective Corporate Governance.

SBC has made substantial progress in embedding Risk Management and awareness within business processes, with established and effective links to all related aspects of the Council's governance, planning and service delivery operations.

The Council's approach to managing risk in the previous strategy was to build on foundations established following the Risk Management Review and to add value by aligning Risk Management to the business planning and performance management process. This ensured that the risks to achieving corporate objectives were systematically identified, analysed, evaluated, controlled and monitored. In this revised strategy the focus will be ensuring that risk management reporting is of a high quality so that decisions can be taken with full clarity of the risks involved. Quality reporting will also ensure sufficient monitoring and oversight is provided by Senior Management to allow them to fulfil their risk management role, as detailed in the Risk Management Policy.

The other key change in focus for this strategy is to ensure that those contracted to deliver services on behalf of the Council and through partnership arrangements, such as the Integration Joint Board, have robust risk management framework in place. It is essential that the Council recognises that outsourcing services through contracts and commissioned services does not remove the statutory obligation and therefore the consequences of any failure of these arrangements.

The Council's strategy, supported by the Risk Management Process Guide (published on the Intranet), is underpinned by the Management of Risk (M_o_R) Guide and its associated framework, principles, approach and processes.

Key Elements of Effective Risk Management

The effective management of risks requires a strategy that has been sanctioned by, and has the clear support of, the Corporate Management Team, Elected Members and Chief Officers. Such a strategy is underpinned by:

- A clear and widely understood structure to secure implementation
- A commitment to achievement
- Appropriate training arrangements
- Regular monitoring and reporting arrangements

Risk Management Objectives

The objectives of the Council's Risk Management Strategy are to:

- Embed Risk Management into the culture of the Council
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, environmental and legislative requirements

- Prevent injury, damage and losses and reduce the cost of risk
- Raise awareness of the need for Risk Management by all those involved with the delivery of Council services both internal and external to the organisation
- Ensure there are adequate arrangements for compiling the Council's Annual Governance Statement with governance and Risk Management arrangements to support it

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for Risk Management and the Annual Governance Statement
- Providing opportunities for shared learning on Risk Management across the Council
- Offering a framework for allocating resources to identified priority risk areas
- Reinforcing the importance of effective Risk Management as part of the everyday work of employees by offering training
- Incorporating Risk Management into business planning and performance management
- Incorporating Risk Management considerations into partnership working and contractual arrangements
- Incorporating Risk Management considerations into the corporate programme and project management arrangements
- Regular monitoring arrangements and detailed reporting.

The Status of Risk Management

Risk Management is as much a part of the duties of Council managers as are the control of budgets and the deployment of staff and equipment to deliver services.

When making decisions the risks and mitigations associated with a proposal is as important a part of the matters to be considered by elected members as the costs of and return on investment or the staffing implications of a proposal. For this reason it is imperative that the Risk and Mitigations section of Committee Reports is completed accurately. To ensure this is the case, authors of reports should attend the Corporate Risk Management training course and the Corporate Risk Officer will provide comment when required. For their part, Elected Members should always ask for further details of the risks if it is not entirely clear what they are, in order to make well-informed decisions.

If the Council is to have a reasonable assurance that Risk Management is effectively in place it must be carried out in a systematic and structured manner and be subject to compliance testing and reporting. The inter-relationship between the Risk Management function and Internal Audit is crucial for this to be effective. This is demonstrated by the Internal Audit plan being informed by the highest areas of risk within SBC and in turn risks are identified through Internal Audit reports and assurance activities.

Benefits

The real value of good Risk Management lies in the benefits it will deliver. Those benefits will be varied in their nature and extent and some might be more measurable than others, but they will all be important to the Council's reputation and ability to deliver improved and value for money public services. The benefits realised include:

- Improved business planning by focussing on the outcome not the process
- More informed decision making process
- Enhanced reputation and public confidence in its ability to deliver services
- Fewer unpleasant surprises and crises through early warning of problems
- More effective management of change
- Prioritisation of resources and better value for money
- Improved performance and achievement of objectives

- Demonstrated good governance
- Innovation, as Managers more confidently exploit new opportunities that will in turn improve the way services are delivered or reduce the cost of delivery

Management Arrangements

Risk Management is a fundamental part of corporate and service management. As such, it should be integrated with normal management processes.

As part of the business planning and performance management process risks will be identified and managed at 3 levels to reflect the varying perspectives:

- 1) Corporate / Strategic – ensuring that the Council’s vision is implemented through the corporate priorities and strategies as stated in the Corporate Plan
- 2) Directorate & Service – transforming strategy into action
- 3) Operational – maintaining appropriate levels of service and implementing actions

At each respective level the senior managers have primary responsibility for the management of all risks:

Level 1 – Corporate Management including Chief Executive and Service Directors

Level 2 – Service Directors and Chief Officers

Level 3 – Service Managers

This arrangement clearly identifies accountability at the specific management levels to ensure that risk is being managed and effective monitoring is being carried out as part of the performance management process at the appropriate level throughout the Council.

This will also aid escalation of risks to ensure oversight and/or action at a higher level, as appropriate. Risks or actions to mitigate risks could be delegated to other levels.

Risk Management is not a one-off process. It is a continuous process because the decision making arrangements it underpins are continuous. Circumstances and business priorities can, and do, change, and therefore risks (both threats and opportunities) and their circumstances will be regularly reviewed as part of the business planning and performance management process. That way, risks and opportunities are directly linked to the achievement of business objectives which can then be prioritised using that information.

The process to be adopted is described in the Risk Management Process Guide (published on the Intranet). The Guide outlines the systematic and structured process to identify, analyse, evaluate, control and monitor risks.

The Council is engaged in a major change management programme, the Corporate Transformation Programme, which is being undertaken to:

- Meet the evolving needs and expectations of customers
- Address the financial pressures placed on the Council
- Strive to meet the efficiency gains and requirements of Best Value

This adds a further explicit area of risk exposure within the programmes and projects that underpin the delivery of corporate transformation.

- Programme – transforming corporate strategy into new ways of working that deliver measurable benefits to the organisation
- Project – delivering defined outputs to an appropriate level of quality within agreed time, cost and scope constraints

Specific reference to the Digital Transformation Programme should be made, as this Programme marks a fundamental change to how services will be delivered in the future. Digital Transformation brings its own risks and opportunities that should be identified and managed. Due to its significance the Council needs to ensure that digital transformation is weaved into all future business plans and strategies.

The Risk Management Process Guide will also be applied to programmes and projects. The use of MSP programme management methodology and PRINCE2 project management methodology provides a framework to ensure Programmes and Projects have their own operational risk registers which will continue to be monitored by individual programme and project boards. Material risks from these sources will be escalated to senior management as part of the regular reporting cycle so that any risks from potential interdependency failures can be properly assessed and appropriate action taken. This will ensure the benefits of effective Programme and Project Risk Management can be realised.

Training and awareness

To enable effective management of risks and associated internal controls and governance the Council recognises that it must continue to support its people to develop the appropriate skills and competencies.

Risk Management has been designated as one of the six Core Competencies for Managers. This has resulted in the development of a corporate Risk Management Training course that has been designed to improve Risk Management competency.

The Course Objectives are:

- Understand why managing risks is an essential part of Management responsibilities
- Understand how managing risks is fundamental to your business plan/programme/project/strategy/decision making
- Be able to identify risks to achieving objectives and put actions in place to mitigate risks
- Understand how risks are analysed, assessed, recorded and monitored in the Council

The Council will communicate with employees and elected members to ensure awareness of effective Risk Management and good governance.

The Council will spread the word about good practice and this will be achieved by publishing relevant material within the Council using a variety of communication methods. The Council will incorporate the key message that internal control systems to minimise and mitigate risks are designed to deliver the benefits that are important to the Council's reputation and ability to deliver improved and value for money public services.

In the Council's dealings with outside individuals and organisations it will ensure that they are aware of the Council's approach to managing risk as part of sound governance.

Accountability

Accountability for performance must be an integral part of the Risk Management process and should cover two principal elements:

- a) Delivering the Strategy to realise the associated benefits
- b) Implementing actions that contribute to mitigation of Risk

The Service Directors sign off an annual assurance statement on internal controls and governance operating in their departments and directorates / services which includes Risk Management. These, along with other sources of assurance are used to inform the Annual Governance Statement by the Chief Executive which is scrutinised by the Audit and Scrutiny Committee and then incorporated within the Annual Statement of Accounts.

A Standard Approach

A standardised approach will be implemented across the Council's operations to assist with the achievement and the demonstration of effective Risk Management:

- Governance through the Organisation Structure
- Adoption of a Single Standard – Management of Risk (M_o_R)
- Implementation of 'Risk Management Process Guide' enabling consistent application across the Council using best practice procedures
- Attendance at corporate Risk Management Training course by all Managers with responsibility for managing risks in the delivery of Business Plans, Programmes, Projects and Strategies
- Corporate membership of the Association of Local Authority Risk Managers (ALARM)

Monitoring and Review

Internal Audit will continue to review the efficacy of Risk Management arrangements and associated internal controls put in place by Management and provide independent assurance on the effectiveness of the Risk Management Strategy and activities as part of its assurance on the Council's Corporate Governance arrangements.

The Audit and Scrutiny Committee will oversee the adequacy and effectiveness of the Council's Risk Management systems and associated internal control environment through:

- Scrutiny of annual reports on the assessment of risks and the monitoring of the Risk Management strategy, actions and resources
- Consideration of periodic presentations by Corporate Management to outline the strategic risks facing their directorates/services and internal controls and governance in place to manage or mitigate those risks