

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 this revised strategy is to build on foundations established and to reflect improvements arising from the Risk Management Healthcheck 2020 and Internal Audit review 2021, to provide greater clarity and consistency in the process. The focus will be to add value by aligning Risk Management to the business planning and performance management process, taking this opportunity during the Corporate Plan refresh and Service Plan creation. This will ensure that the risks to achieving corporate and service objectives will be systematically identified, analysed, evaluated, controlled and monitored.

The other key 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, Live Borders, and CGI, 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 based on 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 or re-evaluated 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 2 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) Service Strategic and Operational – transforming service strategy into action and maintaining appropriate levels of service provision.

At each respective level the risk owners have primary responsibility for the management of all risks:

Level 1 – Corporate Management including Chief Executive and Directors

Level 2 – Chief Officers / 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, and de-escalation. Risks or actions to mitigate risks could be delegated to other levels. This will also simplify the approach to managing risks within the Council’s risk appetite, tolerance and capacity.

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 internal controls and mitigation actions will be regularly reviewed as part of the business planning and performance management process. The frequency of risk review will be proportionate to the risk rating (Corporate and Service High risks will be reviewed at least quarterly; Medium risks at least bi-annually; Low risks at least annually). That way, risks (threats 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, and will include specific detail on levels of escalation, delegation and de-escalation of risks. The Guide is supplemented by other risk management toolkits. The latter will include the quantification of the Council’s risk appetite, tolerance and capacity to provide greater clarity and consistency. The Council continues to be engaged in major change management programmes involving capital investment, working with other partners on wider economy initiatives, and service delivery redesign including those related to digital.

This adds a further explicit area of risk exposure within the programmes and projects that underpin the achievement of their specific objectives.

- 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.

The Risk Management Policy and Strategy will also be applied to programmes and projects. The Programmes and Projects have their own risk registers, which will continue to be developed and reviewed by relevant Programme and Project Managers and 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.

The Corporate Risk Officer will support Management in the development and review of the Corporate and Service risk registers, and provide advice and support for the application of risk management across Programmes and Projects. The Corporate Risk Officer will support Management of the Pension Fund and the entities delivering Services through strategic partnership arrangements, such as Integration Joint Board, Live Borders, and CGI, to fulfil the risk management responsibilities.

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 relevant to their roles. The provision of awareness and training programmes for employees on risk management will mainly be done through the use of E Learning modules, which will be targeted to appropriate members of staff, and during risk review discussions by the Corporate Risk Officer. Management will ensure that staff undertake appropriate training to enable them to understand and apply the risk management policy requirements and behaviours to fulfil roles within their own service areas.

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 Directors sign off an annual assurance statement on internal controls and governance operating in their 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 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) and/or the Institute of Risk Management (IRM)

Monitoring and Review

The Chief Officer Audit & Risk will carry out an annual assessment of the efficacy of the Council's risk management arrangements against the Management of Risk (M_o_R) standard using a risk maturity model, and will monitor the implementation of any associated improvement actions.

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 Directors to outline the strategic risks facing their services and internal controls and governance in place to manage or mitigate those risks

This strategy will be reviewed annually to ensure its continued relevance and effectiveness. This strategy will be subject to document control, version control, and be revised to reflect changes in legislation, risk management best practice, and significant changes in corporate governance.