Corporate Review of Risk Management

Report by Chris Lawson, Risk, Safety & Civil Contingencies Manager

1   Purpose of Report

This report updates Committee on the Council's Corporate Risk Management Arrangements, the suitability of the risk management approach within Midlothian Council and necessary enhancements to the approach.

2   Background

2.1 The Current Position

The concept of risk management has been with us for some time, with the need for Local Government organisations to formalise their approaches to managing risk set out within legislation in 2003. Despite technological advances and growing life expectancy the world continues to be perceived as increasingly uncertain and unpredictable.

The sense of uncertainty is all pervasive: it's there every time we open a newspaper, turn on the television or go on-line; we are inundated with images of risk. Yet we cannot avoid risk, nor should we. Without risk there would be no innovation, no reward and no responsibility. Risk is a positive force for growth and success, turning uncertainty and discovery to an organisation's advantage.

Risk management, meaning on the one hand the avoidance of shocks and uncertainty in the areas where we have no control, and on the other the successful implementation of change where we can control the outcome. It is now widely recognised that organisations which manage risk effectively and efficiently are more likely to achieve their goals and to achieve this at a lower overall cost.

It is against a backdrop of reducing funding and rising expectations by service users that the importance of a sound risk management approach will be able to demonstrate its value.

Midlothian Council developed its Risk Management arrangements initially in 2004, in response to the **Local Government (In Scotland) Act 2003.** The Council made use of the Performance management software, Covalent, used across the Council to record delivery on Service Plans to record and monitor its risk register at Corporate, Service and project levels.

The arrangements for Risk Management were set out within the 'Risk Management Policy, Strategy & Framework' document last updated in October 2012.

The 'Risk Management Policy, Strategy & Framework' set out:

- The statutory underpinning for management of risk within local government

- Current responsibilities for risk management in Midlothian Council

- The use of Corporate, Service and Project Risk Registers

- Risk Management training approach

- Status reporting on Risk Management

The Council's Internal Audit approach is risk based, this means there is a great need for the Council Risk Registers to accurately reflect the risks faced by the Council to ensure risks are managed and audits are able to focus on the real risks faced by the Council.

2.2 Policy & Strategy

The Risk Management Policy, Strategy & Framework' gave an overview of risk management responsibilities within the Council, however, would benefit from giving greater clarity in relation to individual roles and group roles.

While the Framework for Managing Risk within the Council was implied within the 'Risk Management Policy, Strategy & Framework' the mechanics of the framework may not have been readily grasped by those less familiar with risk management.

The role of the Specialist Risk Manager Adviser referred to a post which was no longer in place, following a service review in 2013, therefore required to be amended to reflect the changes to Management roles within the Council. A revised Risk Management Policy was prepared for consideration by Corporate Management Team (CMT) and was subsequently approved on 26 February 2014. A copy of which is attached as appendix 1.

2.3 Training

The Council have provided a range of briefing sessions since 2004 aimed at Elected Members, Chief Officers and Managers. The sessions have been delivered both in house and supported by the Council's Insurance providers.

It was clear from discussion with Heads of Service that a refresh of training would be of benefit; with training focused on the particular roles required in the risk management approach.

2.4 Risk Registers

The current Risk Management Policy suggests that Risk Management is embedded within the organisational culture. On review of the risk register, discussion with Heads of Service and review of reports presented to Corporate Management Team and Audit Committee there was the potential for the Risk Management approach to be seen as running in Parallel to business planning, rather integral.

The development and systematic review of the Council's Risk Registers had not been integrated as part of the Annual Service Planning Process. This created the potential for the organisation to focus on risks which were no

longer a real issue for the Council and potentially to fail to adequately highlight/address new and emerging risks.

In addition there was an issue with the risk matrix applied through the Covalent software which required to be resolved in order to ensure appropriate ratings are attached to assessed risks.

2.5 Reporting on Risk Management

The reporting of Corporate Risks and Critical/High risks lacked detail from which CMT or Audit Committee members could determine progress to manage particular risks downward.

There was some concern that the risk registers may not accurately reflect the internal and external risks to the organisations ability to deliver on its objectives; as determined through the Community Planning Partnership process. This was highlighted as the reporting format did not link service delivery priorities with risk.

It was proposed to change the format of the risk register reports presented to CMT & Audit Committee to make the link between Service objectives and Service/Organisational risks clearer, an example of this is shown in appendix 2.

2.6 Opportunity

There is a strong basis on which to develop the Council's risk management approach. As the general principals of Risk Management appear to be understood.

The current Risk Management Policy required to be revised, setting out clear policy objectives for the organisation and a revised framework within which Risk is to Managed.

2.7 Organising

The Risk Management Policy required to provide role clarity, particularly of key individuals and groups who drive and oversee the Risk Management arrangements within the Council.

2.8 Planning for Risk

The work the Council has been carrying out to revise the Service Planning Process has afforded the opportunity to integrate risk management as part of the Service Planning process. This will address the potential ad hoc nature to recording Service risk on Risk Registers. This does not however remove the need to add to the Risk Register through the year as new risks emerge. This approach will however ensure the information held in the register is critically examined on at least an annual basis and refreshed to reflect the risks facing the Council in the year ahead with a particular focus on delivering on key organisational objectives.

This will address the potential for risk management not being considered at the planning stage and will help ensure that strategies to eliminate, manage or mitigate risks can be identified as part of the Service planning process.

Work has already taken place with the Business Transformation Team to incorporate risk management into the Service Planning guidance provided for Chief Officers.

In addition, it is necessary to have the opportunity to adapt to changes within the Council and to changes in the Council's operating environment. For this reason it is important to retain the function of an effective Risk Management Group with the purpose of reviewing the risk register on a quarterly basis, ensuring it keeps pace with change and that risk scoring is comparable across Council Services.

2.9 Delivery

Services will be required to revise their Service Risk Register on an Annual basis in-line with any changes to service delivery priorities. To Support this, the Risk Management Group will be given a role to contribute to the identification of new/emerging risk. Risk Management Group members will be expected to be directly involved in supporting their services with Service Planning and updating the Service Risk Register.

Services Risk Registers and the revised Corporate Risk Register will then be presented to a special annual meeting of the CMT to note the risk faced by the Council in the year ahead. The CMT will have the opportunity at this meeting to identify a top 5 risks they want to receive reports on, in addition to reports on the Corporate Risks and High/Critical Risk. This will afford CMT the opportunity to monitor certain risks which would otherwise fall out-with the current reporting scheme. In identifying a top 5, one approach may be to identify politically sensitive risks, risks affecting particular projects or risks which show the greatest gap between current risk level and the risk appetite for particular risks.

The Information presented to CMT is also presented to Audit Committee on a quarterly basis. There is no suggestion to change this.

3   Report Implications

3.1   Resource
While this report does not highlight the need for additional resources to deliver enhancements to the recording, reporting and monitoring of risk within the Council there is the potential for additional resource implications associated with Service Management of Risk.

3.2   Risk
This report is aimed at building on the Council's current risk management approach, ensuring a close link between Service Planning and Risk Management together with enhancements in the monitoring of Risk Management within the Council.

3.3   Single Midlothian Plan and Business Transformation
Themes addressed in this report:

☒ Community safety
☒ Adult health, care and housing
☒ Getting it right for every Midlothian child
☒ Improving opportunities in Midlothian
☒ Sustainable growth

☒ Business transformation and Best Value
☐ None of the above

3.4   Impact on Performance and Outcomes
This revised approach to risk management is aimed at insuring the uncertainties associated with delivering Outcomes are correctly identified and appropriate measures taken to increase the likelihood of success.

3.5   Adopting a Preventative Approach
The Risk Management approach being taken by the Council is founded on a preventative approach to managing risks.

3.6   Involving Communities and Other Stakeholders
This review involved direct input from Heads of Service on the current approach to risk management within the Council as part of quarterly risk review meetings.

3.7   Ensuring Equalities
There are no direct equalities issues arising from this report.

3.8   Supporting Sustainable Development
Senior Managers must ensure the sustainability of the Council, which entails identifying, understanding and managing Corporate Risks.

3.9   IT Issues
The Performance Management system Covalent will continue to be used to host risk register information. Support from Business Transformation will address the need to amend the current reports generated from this system to align service objectives and risks to their fulfilment.

4   Summary
This report identifies that Midlothian Council has developed many good structures to assist in the management of risk affecting the Council. The report does however identify areas where enhancements to the current risk management policy and strategy would provide greater assurance regarding the robustness of the risk management approach.

These changes would be underpinned by new learning and development opportunities and guide material to support those tasked with identifying and managing risks on behalf of the Council.

5   Recommendations

Audit Committee is recommended to approve the changes to the current risk management approach set out within this report, specifically:

- That annual revision of Service & Corporate register(s) prompted by the Service planning process

- There be Risk Management group input to revision of Risk Registers.

- That Risk Management group meetings are to be aligned with risk management performance reporting, meeting 4 times a year to support the development of Risk Management reports to CMT & Audit Committee.

- The revised remit for risk management group

- The revision of the risk matrix on Covalent, to reflect the risk rating approach set out with the revised Risk Management policy

- The new report layout for reporting of risk register to CMT & Audit committee to clarify the link between risks and Service/ Council Objectives

- The development of a new 'top 5' issues report

- Work to raise the profile of risk management/visibility through the development of a dedicated Intranet Micro Site.

Underpin the recommended changes in this report through a Revised risk management strategy and policy as shown in appendix 1.

Date

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Background Papers:
Revised Risk Management Policy Appendix 1
Example Risk Register report format Appendix 2

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I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Human Resources.*
☒ *All risk implications have been addressed.*
☒ *All other report implications have been addressed.*
☒ *My Director has endorsed the report for submission to the Council Secretariat.*

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Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.