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**To:                Audit, Risk and Scrutiny Board**

**On:                23 November 2020**

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**Report by:     Director of Finance and Resources**

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**Heading:       Risk Management Annual Report 2019/20**

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**1.                Summary**

1.1               This paper presents the Risk Management Annual Report for 2019/20 (Appendix 1). The Report describes the corporate risk management activity that has taken place during 2019/20 in relation to the council's risk management arrangements and strategic risk management objectives. It is not the purpose of this paper to report on the management of specific risks as such information is already provided separately to the Board in the strategic, corporate and key service risks paper.

1.2               In exceptionally challenging times and with diminishing resources, the council continues to apply an appropriate level of risk management to prevent or mitigate the effects of loss or harm. In doing so, we recognise that good risk management contributes to the delivery of better financial outcomes, business objectives, better project success rates, achievement of targets and fewer unexpected problems.

1.3               We purposefully promote an environment that is risk 'aware' rather than risk 'averse' and strive to place risk management information at the heart of the key decisions that we make. This means that we can take an effective approach to managing risk in a way that both addresses our significant challenges and enables innovation.

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**2.                Recommendations**

2.1               It is recommended that the Board considers the content of the Annual Report and notes the significant contribution that it makes with regards to the council's corporate governance arrangements.

2.2               The Board is asked to note future plans as outlined in section 9 of the attached Appendix.

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### 3. **Background**

- 3.1 In keeping with the 'Scheme of Delegated Functions' a Risk Management Annual Report is provided to the Audit, Risk and Scrutiny Board each year for consideration. The report supports the council's code of corporate governance and seeks to provide assurance to stakeholders (internal and external) concerning the risk management arrangements applied during 2019/2020.

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### **Implications of the report**

1. **Financial** – not relevant to report recommendations
2. **HR & Organisational Development** – not relevant to report recommendations
3. **Community/Council Planning** – effective risk management supports the delivery of all community/ council plan outcomes
4. **Legal** – not relevant to report recommendations
5. **Property/Assets** – not relevant to report recommendations
6. **Information Technology** – not relevant to report recommendations
7. **Equality & Human Rights** – not relevant to report recommendations
8. **Health & Safety** – not relevant to report recommendations
9. **Procurement** – not relevant to report recommendations
10. **Risk** – as per the subject matter of this report
11. **Privacy Impact** – not relevant to report recommendations
12. **Cosla Policy Position** – not relevant to report recommendations
13. **Climate Risk** – not relevant to report recommendations

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### **List of Background Papers**

- (a) Non applicable – reports provided on a year-by-year basis

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# **Risk Management Annual Report**

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**2019 - 2020**

Document Title:	Risk Management Annual Report 2019/20		
Service:	N/A	Lead Author	Risk Manager and the Corporate Risk Management Group
Date Effective:	23/11/2020	Review Dates:	Not applicable

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## 1. Introduction

- 1.1 The Risk Management Annual Report is provided to the Audit, Risk and Scrutiny Board each year in keeping with its delegated function of considering the corporate risk management annual report. The Report describes the corporate-led risk management activity that has taken place during 2019/20 in relation to the council's risk management arrangements and strategic risk management objectives. The Report does not cover the management of specific risks as such information is already provided separately to the Board in the strategic, corporate and key service risks paper.
- 1.2 In exceptionally challenging times and with diminishing resources, the council continues to apply an appropriate level of risk management to prevent or mitigate the effects of loss or harm. In doing so, we recognise that good risk management contributes to the delivery of better financial outcomes, business objectives, better project success rates, achievement of targets and fewer unexpected problems.
- 1.3 We purposefully promote an environment that is risk 'aware' rather than risk 'averse' and strive to place risk management information at the heart of the key decisions that we make. This means that we can take an effective approach to managing risk in a way that both addresses our significant challenges and enables innovation.
- 1.4 This annual report supports the council's corporate governance statement and seeks to provide assurance to stakeholders (internal and external) concerning the organisational risk management arrangements applied during 2019/20.

## 2. Risk Management Framework 2019/20: Overview

- 2.1 Below is a brief overview of the key components of the council's risk management framework. Thereafter sections 3 to 7 of this report expand on each component and highlight specific points relevant to 2019/20 developments.
- (1) **Infrastructure/ enablers**  
At the heart of the council's risk management arrangements are the strategic risk management objectives, the risk management policy and strategy and the strategic risk management development plan. Also embedded within the infrastructure are the communications systems in use for risk management information, including Pentana, the Intranet and the key policy boards and groups such as the Corporate Management Team and Corporate Risk Management Group that have a specific role in risk management.
- (2) **Process**  
A cyclical process for risk assessment, treatment, communication, monitoring and review of risk using a standardised risk matrix. The process and supporting matrix continue to enable a consistent approach to risk management throughout the council, set within the context of the council's capacity and tolerance for risk, sometimes also referred to as 'risk appetite.'
- (3) **Application/ results**  
Risk management is not viewed as an isolated function or practice but is applied to other key business processes of the council, including service planning, financial planning, performance management, procurement, project management and partnerships. Applying risk management at the right time and in the right way is key to risk management adding value to the organisation and delivering tangible results.
- (4) **Reporting and monitoring**  
Reporting and monitoring arrangements, including individual and group roles and responsibilities for risk management, are defined in such a way as to ensure a suitable flow of risk management information throughout the council and an appropriate level of monitoring and scrutiny relating to the effectiveness of the risk management arrangements in place and progress being made in relation to activity linked to strategic and corporate risk registers and service risk management plans.
- (5) **Risk management function**  
For the risk management framework to be effective, it must be underpinned by training, guidance and ongoing development activity which raise awareness of how to implement good risk management practice across the council. This aspect of the framework informs the workplan of the corporate risk management function under the responsibility of the Director of Finance and Resources.

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### 3. Risk Management Infrastructure/ Enablers

#### 3.1 Risk Management Policy and Strategy

In November 2018 'Risk Matters,' the combined risk management policy and strategy was revised and approved by the Audit, Risk and Scrutiny Board, in keeping with the formal review timetable for Risk Matters<sup>1</sup>.

The Corporate Risk Management Group undertook the planned interim review of Risk Matters in October 2019. There were no material changes at the time, so the version number was updated to 13.1 and the document uploaded again to the Intranet.

#### 3.2 Strategic Risk Management Objectives

The council has historically based its self-assessment of its risk management arrangements on the ALARM<sup>2</sup> National Risk Management Performance Assessment Model. The risk management objectives are derived from this model.

The strategic risk management objectives remain relevant and continue to form the basis of the Strategic Risk Management Development Plan.

##### Strategic Risk Management Objectives

- |          |   |
|----------|---|
| Enablers | (1) <u>Leadership and management</u> : Ensuring that our Members, Directors and Senior Managers fully support and promote risk management   |
|          | (2) <u>Policy and strategy</u> : Ensuring that our policy and strategy remain fit for purpose and maintain a consistent approach to the management of risk and increasing its effectiveness       |
|          | (3) <u>People</u> : Ensure that our people are equipped and supported to manage risk well   |
|          | (4) <u>Partnerships and resources</u> : Ensuring that we have effective arrangements for managing risks in partnerships and resourcing risk management activity                                   |
|          | (5) <u>Processes</u> : Ensuring that our risk management processes are effective in supporting the business activities of the council   |
| Results  | (6) <u>Risk handling and assurance</u> : Ensuring that risks are handled well and that the council has assurance that risk management is delivering successful outcomes and supporting innovation |
|          | (7) <u>Outcomes and delivery</u> : Ensuring that risk management does contribute to achieving positive outcomes for the council   |

#### 3.3 Strategic Risk Management Development Plan 2018/20

The Strategic Risk Management Development Plan (SRMDP) explicitly sets out the development activity that supports the strategic risk management objectives. The plan is realistic, stretching but usually achievable; it allows the Corporate Risk Management Group to focus on strategic priorities and actions while at the same time allows individual members (representing their service departments) to consider operational implications and requirements for supporting the objectives.

Progress against the Strategic Risk Management Development Plan is monitored quarterly by the Corporate Risk Management Group. The plan runs in two-yearly cycles, in this case April 2018 to March 2020.

- ✔ Performance in relation to completion of SRMDP actions for year 1 was 100% against an in-year target of 85%
- ! Performance in relation to completion of SRMDP actions for year 2 was 50% against an in-year target of 85%

The overall performance for the two years combined was 70% against the 85% target. It should be noted that in 2019/2020 some actions were due for completion in March 2020 but due to activities being reprioritised in order to support the response to the global pandemic, these were not completed, but will be rolled forward instead into the new development plan.

#### 3.4 The Corporate Risk Management Group

The Corporate Risk Management Group met on six occasions during 2019/20 in accordance with its terms of reference. Four meetings were 'standing' quarterly meetings and two were specifically dedicated to the

<sup>1</sup> Risk Matters is reviewed formally every two years by Board with an interim annual review conducted by the Corporate Risk Management Group.

<sup>2</sup> 'ALARM' is the public risk management association

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development of the 2019/20 corporate risk register and new strategic risk register. The quarterly standing items of business for this Group included:

- (1) review of the corporate risk register and progress against associated actions;
- (2) review of progress against the Strategic Risk Management Development Plan;
- (3) review of significant service risks brought to the Group for potential escalation;
- (4) review of the risk management key performance indicators;
- (5) Risk Management Alliance updates<sup>3</sup> and,
- (6) Service news items (to facilitate cross departmental learning from risk-related matters).

In addition to the above, the Group receives other reports/ information of interest from the Risk Manager.

### 3.5 Pentana software system

Pentana is used for recording and monitoring risk management information. Using the system continues to be of benefit to officers as it reduces duplication of reporting where officers are providing updates on progress against actions which relate both to the management of risk and to delivering service improvements. No new risk-related system developments were made during 2019/20.

### 3.6 The Intranet

The intranet continues to be a key tool for communicating and providing risk management information and guidance to all staff with access to it. The [Intranet risk management pages](#) provide access to 'Risk Matters' and a range of supporting guidance documents and templates as well as contact details for the risk management and insurance service.

## 4. Risk Management Process

4.1 The standardised process for risk management within the council remains fit for purpose. The table below summarises the guidance which accompanies the process. Applying this process in all aspects of business helps officers to manage their activities and pursue opportunities in a way that helps achieve objectives and prevent loss or harm.

<b>Establish the context</b>	Services consider risk in terms of context such as key themes and objectives, service priorities, operational activities or projects, longer-term or shorter-term objectives.
<b>Identify risk</b>	Services carefully define their risks in such a way as to be clear about the situation presented (opportunity, activity, service change, problem or challenge) and the consequences that may flow from it. We have started using risk 'bowtie' analysis which employees are finding very visual and helpful in understanding risk.
<b>Analyse risk</b>	Services analyse risk in terms of likelihood of occurrence and should it occur, its potential impact using the standardised risk matrix.
<b>Evaluate risk</b>	Services evaluate risk in terms of significance, being either 'low', 'moderate', 'high' or 'very high' and compare this with the council's capacity and tolerance for risk.
<b>Treat risk</b>	Services consider a range of options when deciding on the most appropriate way to address their risks, either through measures to terminate; transfer elsewhere (such as through insurance); tolerate as it is; or, treat with cost effective measures to reduce it to a level where the exposure is acceptable or tolerable for the council in keeping with its capacity and tolerance for risk.  Note: in the case of opportunities, services may 'take' an informed risk in terms of tolerating it if an opportunity is judged to be (1) worthwhile pursuing and (2) the service is confident in its ability to achieve the benefits and justify the risk.
<b>Monitor and review risk</b>	Services are aware that once a risk assessment has been undertaken it is necessary to continue to monitor and review the risk for changes in context or the measures that are in place to control it.
<b>Communicate and consult</b>	Services are aware that it is good practice for at least two officers with relevant subject knowledge to undertake risk assessment (in consultation with other officers if necessary) with the key outcomes of the risk assessment process communicated to relevant persons (such as using the risk implications section on Board papers).

<sup>3</sup> The Alliance is a sub group of the Corporate Risk Management Group

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## 5. Risk Management Application/ Results

- 5.1 For risk management to truly add value for the organisation, it needs to be applied across the range of business processes in operation throughout the council and all its service departments. This section provides an outline of how this happens in practice across a variety of settings.
- 5.2 Risk management continued to be a key component of the council's project management framework meaning that if risks are proactively addressed through each stage of a project, the project outcomes are more likely to be achieved on time and within the planned budget.
- 5.3 Each service continues to monitor their risks and refresh their risk registers on an annual basis taking account of the service priorities and service improvement plans. This means that risks relating to the service priorities are proactively addressed and services are more likely to achieve their priorities and outcomes as planned.
- 5.4 Each year, services bring to the attention of the Director of Finance and Resources any areas of unavoidable cost pressures they are experiencing. During this process services can highlight instances where cost pressures relate to top corporate or services risks and this supports effective decisions to be made in relation to financial priorities.

## 6. Reporting and Monitoring

- 6.1 The governance arrangements in place during 2019/20 have continued to ensure clear lines of accountability for risk management and continue to enable a suitable flow of risk information throughout the council. The Audit, Risk & Scrutiny Board approved the strategic, corporate and service risks for 2019/20 and received a progress report in November 2019.
- 6.2 Each service has a representative on the Corporate Risk Management Group (CRMG). The CRMG has overseen the 2019/20 strategic and corporate risks and monitored progress on a quarterly basis. Services have taken ownership of their risks with processes being followed for reporting, and where necessary 'escalation' of significant risks to the Corporate Risk Management Group. All five service departments submitted their risk data on time for the progress report to the Audit, Risk and Scrutiny Board as planned.
- 6.3 In terms of monitoring performance in risk management the council has historically participated in the Alarm/ CIPFA<sup>4</sup> benchmarking club, using the Alarm National Risk Management Performance Assessment Model. CIPFA have however now withdrawn this benchmarking club so future assessment options will require to be considered. The Performance Assessment Model nevertheless still exists and describes an organisation's risk management maturity as:
- |           |           |           |                         |           |
|-----------|-----------|-----------|-------------------------|-----------|
| ▪ Level 1 | ▪ Level 2 | ▪ Level 3 | ▪ Level 4               | ▪ Level 5 |
| Awareness | Happening | Working   | Embedded and integrated | Driving   |
- The council aims for level 4, to demonstrate maturity where risk management is consistently 'embedded and integrated' while also being able to demonstrate examples of where risk management information is driving the key policy decisions of our organisation. The council performs at Level 4.
- 6.4 Key Performance Indicators continue to be implemented and monitored by the Corporate Risk Management Group on a quarterly basis.

## 7. Risk Management Function/ Training and Development


- 7.1 The council's Risk Management Training Strategy ensures that we are clear about the council's expectations as to the degree of risk management knowledge required across a range of roles within the council, and the risk management training and development solutions that are available and should be accessed through the council to enable competence and capacity to manage risk within those roles.
- 7.2 In-house training and development in risk management continues to be offered through a range of opportunities. Examples include:
- Essentials of Enterprise Risk Management (2 Days available through the council's insurers)
  - Risk Management Course (1 Day in-house)
  - Topical sessions for Elected Members (on request)

<sup>4</sup> Chartered Institute for Public Finance and Accountancy. Refer to 3.2 for explanatory note for pause in self-assessment in 2018.

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- Project Risk Management Workshops (in-house as required)
- Internal audit training programme (in-house through the Audit, Risk and Scrutiny Board)
- Risk Management iLearn course (in-house, 45 mins)
- use of 'risk control days' training (available through Insurers)
- ad hoc support, advice or training as requested

 **Update for 2019/20:** This year again saw a significant uptake in risk management training through the management development programmes ASPIRE and Leaders of the Future. Over the course of the year **282 employees** undertook the half day risk management course (Aspire 185 and Leaders 97), and all provided very positive feedback on the learning and development content and delivery.

- 7.3 Ad hoc support, advice or training requests continue to be met so far as reasonably practical. Some of these involved the council's insurance broker, for example in relation to insurance requirements for the cultural infrastructure projects and City deal projects.
- 7.4 To continue to provide evidenced based training, development and advice for the council, the council's Risk Manager maintains continued professional development in her field and is qualified to Masters Level (MSc in Risk Management awarded by Glasgow Caledonian University).
- 7.5 Through membership of a number of groups that include Alarm (the Public Risk Management Association), and the ALARM Scotland Group, the Risk Manager keeps abreast of risk management developments and best practice in other public-sector organisations and local authority areas. The Risk Manager concluded a 3-year term as Chair of the ALARM Scotland in December 2019 and has now taken up a position on the ALARM Board. This new role means greater development opportunities that will in turn serve the council well.
- 7.6 Through the council's contracts with Insurers and Insurance Brokers, the Risk and Insurance Team keep up to date with developments in the insurance sector in order to ensure that the council's interests are protected.

## 8. Conclusion

- 8.1 This Report has provided an overview of key risk management arrangements and activity undertaken during 2019/20 in relation to the council's corporate-led risk management approach. It is intended that the report provides assurance to the Board.

## 9. Addendum - moving forward

- 9.1 'Risk Matters' is presently due for formal review. It is important going forward that the council's risk management arrangements are fit for purpose in the new operational environment, taking on board developments in risk management 'industry' standards, good practice on providing assurance, and, experience gained through responding to the current global pandemic. For example, the council's risk appetite will require to be reviewed in light of the more recent requirement to tolerate risks that would ordinarily not be acceptable to the council. It is therefore the Corporate Risk Management Group's intention to revise the council's Risk Management Policy and Strategy and return to Board with the new arrangements for approval in March 2021, to take effect from 1 April 2021. Should this be acceptable to the Board, the next Annual Report to Board would then be scheduled for May 2022.

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