

## 9. Risk Management Update and Embedding Risk Management at the Council

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### Purpose of the Report

The purpose of the report is to continue to update members of the Audit Committee on the progress the Council is making in relation to risk management as an underlying process. The report also addresses the specific concerns raised in the last update to members in October 2007. The officer would also remind members of the committee that they have a duty to ensure that a robust risk management process is not only adopted at the Council, but that members take an active role in understanding their collective responsibilities with regard to risk management. I would seek the support of committee members in ensuring that any training offered or advice needed is sought and acted upon.

### Recommendations

- (1) that members note the continued improvement in our risk position as evidenced via the reduction in critical or amber risks (see attached risk Heat Maps – pages 49-52);
- (2) that members take note and comment on the risk matrix in relation to the District Executive report template.

### Background

Risk management has for a considerable time now been regarded as an area that traditionally the private sector did or it was all about insurable risk. Central government has in recent times focused on why major projects in the public sector often fail.

In considering this issue it became evident that risk management was often lacking and that this lack of awareness was often contributing to the failure. How often have we heard the repeated message that we had not considered that or we did not see that as an issue at the time.

Accordingly much emphasis has in recent years been placed on embedding risk management within the greater public sector and within councils, together with a requirement for councils to be self aware from a risk perspective.

Risk management now forms and will continue to form a significant element of our CAA assessment under the use of resources heading and as such the need to manage our risk and have an embedded process in place is of vital importance. Further, risk management needs to form part of our culture and be one of the first things we consider and not the last in all we do. However the new inspection authorities are very keen that risk is not always seen as a negative and being self aware should allow us to take a more considered risk decision, if we so choose.

A recent verbal summary by our Relationship Manager (Audit Commission) stated in relation to the up and coming new inspection regime (CAA) that the following aspects of risk management would play a pivotal roll in the CAA assessment.

***“joint risk assessment;”***

***“use of resources - which would look at organisational capacity and management of resources; and the direction of travel - which would be a joint inspection judgement;”***

***“process for carrying out joint risk assessment – he commented that the introduction of the area risk assessment would be a big change for local authorities and other organisations;”***

This council has made significant strides in addressing these very issues and we can now be proud of the process and procedures we have in place. This report therefore attempts to share with members the good work we have done and the ongoing work needed in supporting and embedding this vital management and members resource.

### **Update on Risk Activities**

- Heat Maps

Attached to this report are copies of our Heat Maps (Appendix 1 at pages 49-52) representing the net risk scores for the Council. These clearly indicate a growing awareness amongst the officers that they need to constantly manage them and evidence of this is the slowly moving profile from the warm (red/orange) risk representation to the less critical (Blue) cooler risks. We now have partnering risk defined within its own sections within the register.

- Management Board

We have included a standing item on the Management Board’s agenda (on a monthly basis) in order that the Procurement and Support Services Manager can update directors on risk management issues, thus ensuring that the culture and thinking behind risk management is being driven from the top of the organisation. Audit Committee members should be clear that they also have a role to play in monitoring the effective development and operation of risk management within the Council.

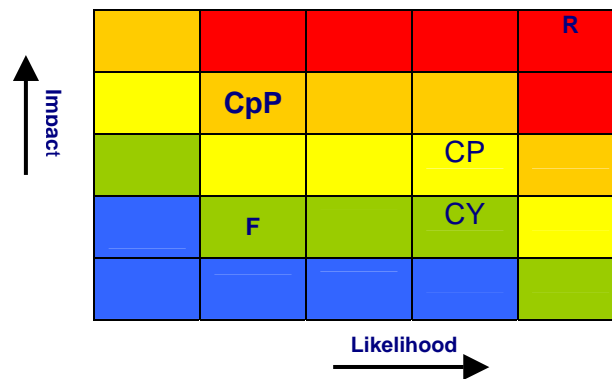
- District Executive Report Template (see example below)

We have included in the last year a requirement for all reports going to District Executive to consider and address the very essence of risk within the decision that District Executive members are being asked to consider. Whilst I accept that this part of risk management may at this point not be the finished article it is a good first step and is enabling the officers and members to learn as we go and amend accordingly. Officers have guidance as to what issues should be considered and guidance on how to assess those risks both from a positive and negative aspect. This, for the first time, will give members the opportunity to consider the “what if we do nothing” option, something often not considered before. A copy of the Guidance for Officers is attached at Appendix 2 (pages 53-55).

### **Financial Implications**

None directly, although financial implications do exist to some degree or another with most risk management decisions.

## Risk Matrix



## Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

## Implications for Corporate Priorities

None directly, although embedded risk management is a requirement of higher CPA ratings, and the Corporate plan states that we will embrace risk management “Managing uncertainty is a priority for South Somerset District Council”. As has already been mentioned risk and opportunity will be a major element of CAA.

## Other Implications

Risk management will continue to form a major element of our use of resources score, which will remain under the new inspection regime.

**Background Papers:** Heat Maps