

Scrutiny Committee – 3rd November 2009

11. Impact and Progress of Risk Management Policy

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Purpose of the Report

To update the Scrutiny Committee on the risk management process and procedures that we have in place at the Council, the impact it has made and the continued efforts being made to embed risk management at the Council.

Action required

That Scrutiny Committee notes the report and arrangements in place for managing risk.

Background

Risk management plays a pivotal role in public sector thinking and planning. For many years it has been thought that the public sector had a risk adverse culture or attitude. Whilst this may have been true, a greater problem generally has been a lack of focus on risk per se. This lack of sight of the risk and therefore the lack of planning if it should occur has in the past often led to risk occurring and then the impact of that risk undermining the project or work programme.

How many times have major I.T projects or construction projects failed and often due to risks materialising that had not been identified.

This lack of risk management and risk identification has led to the Audit Commission taking a very active interest in the subject and now forms a major part of the Use of Resources score (U.O.R).

Therefore it is appropriate at this point to remind ourselves why risk management is important and why we need to place some effort on ensuring its embedded in our day to day management and leadership of the Council.

WHY DO WE NEED TO SPEND TIME ON RISK MANAGEMENT?

This section explains the benefits of integrated risk management.

There are three reasons for investing time and effort in risk management:

The benefits risk management brings to the Council and to its Members are:-

- To highlight the often hidden total costs when a major incident occurs

- The fact that most organisations are already managing risks to a greater or lesser extent and would gain by understanding how to do it more formally
- The requirements placed on us by regulators and inspections.

This last point, compliance with regulations, is in some ways both the least important and the most important of these: least important because if significant risk is well managed then complying with regulations will be easier to achieve; most important because Councils often have to comply with regulations or face closer scrutiny and control.

The benefits add up to a much more competently managed organisation which can take calculated risks without betting on its own survival and losing its reputation or public money.

Like any other organisation, South Somerset District Council encounters a range of risks that threaten its ability to meet business objectives and deliver cost-effective and quality services. These risks can originate from many different sources ranging from claims against the Council for the breach of a statutory duty, to the loss of a Council facility through fire or vandalism.

As society in general continues to evolve, so do the nature, type and magnitude of risks to which the Council is exposed. On the other side of the coin, in this era of modernising, the Council faces many positive opportunities, which, if embraced in a well thought-out and constructive manner, will greatly assist in improving service delivery.

Risk management is essentially the art of balancing these two opposing forces; Risk and Opportunity. Managing risk is not solely about curtailing the Council's activities. South Somerset District Council actively encourages innovation and creativity, which are vital components to the effective managing of risk. It is important that Risk is understood in a positive as well as negative context. Modernisation and transformation demands that the Council takes risks, but only where this is supported with full knowledge and understanding of the consequences associated from taking those risks.

People often fear that risk management will increase costs. It is true that in the short term there is additional effort and therefore cost in identifying risks and filling in any gaps in the way they are managed. Some good news is that once formal risk management systems have been set up and documented on our electronic database, Magique, the maintenance of them becomes straightforward. Updates will form part of other routine processes such as service plan reviews, annual budgeting and quarterly finance reviews, employee appraisals and year-end reporting procedures. The costs of risk management can be offset by the costs of a risk materialising – which are usually far greater than just the immediate loss or damage. Sometimes it becomes clear that the cost of the response is greater than the benefit in reducing the risk – so the response may be reduced.

Risk Management at SSDC.

The initial work at the Council on risk management was conducted by the internal audit unit and comprised of a series of workshops based around subjects or themes. From this officers were encouraged to think about all the things that could go wrong with the delivery of the services. However neither the officers taking part or the audit

staff conducting the workshops had really been trained in or completely understood the risk management process.

A risk register had been established at the Council, however due to a lack of understanding this had been populated with over 2,500 risks. Many of these risks were day-to-day operational risks and hidden amongst this huge array of risks were undoubtedly a number of Strategic or significant risks.

The new style risk register was introduced to focus on detailing the significant risks at the Council and allowed some vision as to what and where the risk actually resided in the organisation.

The Audit Committee is responsible for providing independent assurance of the adequacy of the risk management framework and the associated control environment. Under its terms of reference it "considers the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken." The Committee receives regular reports on risks and risk management.

What has been achieved:

1. We now have a fully electronic risk register for every service at the Council, we also have a risk register for Partnering risks and Pioneer Somerset.
2. We have risk management now forming a major part of everyday thinking for officers and managers at the Council in terms of significant business risk.
3. We have a risk policy and procedure document, that has been adopted as best practice by other council's in Somerset.
4. Members have been provided with training in understanding what risk and risk management is all about and how it impacts on them as members.
5. The Audit Committee receives regular updates on risk management at the council and looks in detail at aspects of risk management.
6. Reports going to District Executive now have to consider the negative and positive aspects of the decision they are being asked to take.
7. All staff have the opportunity to take an e-learning module on risk management, so that all staff have an awareness of risk and how to deal with it.
8. Some decisions at the Council are now being taken as a result of considering the risk, i.e. being risk aware, we have been able to change direction or amend the decision in light of the risk.
9. Good score under UOR from the audit commission, for risk management.

Where next with Risk Management:

Much has been achieved in raising the profile of risk management and making it a part of mainstream thinking. However risk management is a subject that is very dry in nature and not very exciting, so it will always struggle to attract members and officers attention. We need to consider how we keep risk management in the minds of officers and members and keep it relevant.

The most important aspect of where we go next must be the “so what question” in other words if we are doing risk management correctly what impact is it having on the organisation. What do we do differently from being aware of the risk, that's what we need to evidence, its this golden thread of evidence that we need to be able to demonstrate next if risk management is to add real value to what we do.

So if you like, we need to understand what risks we are taking and by definition what risks we could take. Form a plan to mitigate or reduce that risk, or a plan that says we are going to take this risk, as we believe we should and we have robust controls in place if the risk should materialise.

So if we do all of the above and more we should be able to demonstrate:-

1. We were aware of the risks that a service faced, less unplanned events.
2. Lowering of cost, as officers become able to manage risk rather than seek to pass it on, via contracts with suppliers etc. Or be more willing to accept a reasonable risk rather than seek gold plated processes that inhibit delivery.
3. We should be able to change direction or do things differently as a result of identifying the risk, i.e. if we do X the risk is high, but if we do Y the risk is lower.
4. We need to have an understanding at the highest level Management Board and District Executive of our total risk profile so that we can consider major projects such as the Sports Zone in relation to the other risks that we have. Taking a greater risk with one project could impact negatively on the risks in other areas therefore raising the total risk profile at the council. This total risk profile is important and members need to understand that a decision in isolation may lead to risk consequences in other aspects of the council.

Background Papers: None
