

# WEST DUNBARTONSHIRE COUNCIL

## Report by Chief Executive

Council: 31 August 2011

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### Subject: Risk Management Progress Report

#### 1. Purpose

- 1.1 This report is intended to advise Elected Members of the:-
- Progress made in revitalising the risk management process;
  - Outcome of the Strategic Risk identification session at a recent meeting of the Strategic Leadership Group (SLG) meeting; and
  - Next phase of work needed to complete the Strategic Risk identification process and progress the risk revitalisation process across the Council.

#### 2. Background

- 2.1 An audit of the Council's Risk Management process was carried out in 2010 by Liz Taylor of Liz Taylor Risk Consulting. On 17 May 2011, Liz Taylor facilitated a session of the SLG in order to review the Council's strategic risks. An update was then provided to the Elected Member Business Day on 18 May.

#### 3. Main Issues

##### 3.1 Risk Process

- 3.1.1 At the SLG session, it was agreed that the Council should have three categories of risk, namely:-
- Strategic;
  - Service; and
  - Operational.

(all recorded in separate risk registers in Covalent)

In addition, both partnership and project risk will be considered as distinctive elements within the main three categories.

- 3.1.2 The previous Covalent register, established two or three years ago, contained 18 strategic risks. A questionnaire was issued ahead of the SLG session and, using the responses to this questionnaire, together with risks commonly identified by other unitary authorities, a list of 40 risks was compiled. The SLG then used this long list as the basis for identifying a new set of strategic risks. Following discussions, five strategic risk themes were identified, these being:-

**Table 1: Strategic Risk Themes**

<b><u>Strategic Risk Theme</u></b>	<b><u>CMT Member Lead</u></b>
Leadership	Chief Executive
Finance	Executive Director of Corporate Services
Strategic Priorities	Executive Director of HEED
External Scrutiny	Executive Director of Educational Services
Demographics	Executive Director of CHCP

- 3.1.3** As can be seen from the table above, a member of the Corporate Management Team (CMT) has taken the lead for each strategic risk theme. The Chief Executive / Executive Directors, with the assistance as required of the Manager of Risk and Performance and the Section Head (Risk Management), are in the process of:-
- Identifying a number of sub-risks for each strategic risk;
  - Developing appropriate actions and milestones necessary to control risk to an acceptable level; and
  - Setting up content in Covalent relating to strategic risks, sub-risks and associated actions.
- 3.1.4** It is anticipated that strategic risk will become a regular agenda item at CMT meetings, with a one page “bow-tie” type summary of each of the five strategic risk themes / related sub-risks being provided for discussion. Progress on strategic risk will also be reported on a regular basis to Council and / or the Audit & Performance Review Committee
- 3.1.5** To assist in the revitalising process and in order to embed risk management, a new risk tree for strategic, service, operational, partnership and project risk for 2011/12 has been established within Covalent. The current risk tree will be deactivated, although it will still be available to view so that applicable information can be used to populate the new risk tree.
- 3.1.6** To help progress the risk revitalisation process, a two day in-house training session on enterprise risk management took place on 6 and 7 June 2011. The session was delivered by the Council’s third party administrators (Gallagher Bassett). This training, accredited by the Institute of Risk Management, was aimed at Head of Service level. It is considered that Heads of Service, who comprise a significant element of the new risk management working group, can play a major role in ensuring that the risk management process is fully embedded across the Council at service and operational level.

**3.1.7** The new risk management working group held its first meeting on 1 July 2011. It is anticipated that the group will be in existence for a period of three years (or until the risk plan has been fully implemented) and meet monthly for the first three months and thereafter quarterly in order to report progress in each department on the development of a risk management framework and toolkit.

### **3.2 Best Value Toolkit for Risk Management**

**3.2.1** On the Audit Scotland website, there is a total of 18 Best Value toolkits, one of which is on risk management. Each of these toolkits contains a series of structured key questions with a matrix of possible levels of performance ranging from basic to advanced practice.

**3.2.2** The Council's Best Value 2 (BV2) audit is scheduled to take place during 2012/13. Since an assessment of the Council's approach to risk management is likely to be an element of the BV2 audit, it will be beneficial to carry out a self evaluation of risk using the Audit Scotland documentation. This will enable an assessment of our current position to be determined across key areas and thereby identify what actions are required to effect any improvements considered necessary.

### **3.3 Risk Management Strategy and Methodology**

**3.3.1** The success of risk management will depend on the effectiveness of the risk management framework which will provide the foundations and arrangements to embed Risk Management throughout the council at all levels. The ISO 31000 framework assists in managing risks effectively through the application of the risk management process at varying levels. The framework ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all managerial levels.

**3.3.2** The ISO framework comprises of five component parts:-

- Mandate and Commitment.
- Designing a framework for managing risk.
- Implementing risk management.
- Monitoring and reviewing the framework.
- Continuous improvement.

**3.3.3** The Risk Management Section is currently reviewing and updating the Council's Risk Management Strategy and Methodology to reflect the framework component parts contained in ISO 31000.

## **4. Financial Implications**

**4.1** It is anticipated that most of the activity associated with revitalising the risk process can be accommodated within existing budget provision.

## **5. Personnel Implications**

- 5.1 There will be implications for the CMT and the risk management working group in terms of time and existing workloads.

## **6. Risk Analysis**

- 6.1 Failure to implement the revitalisation process is likely to result in the Council being criticised by Audit Scotland for not having an integrated approach to embedding risk management within the authority.
- 6.2 Implementing the revised risk management framework will demonstrate that the CMT are taking ownership of risk management and that the Council has effective measures in place for the management of risk.

## **7. Equalities, Health & Human Rights Impact Assessment (EIA)**

- 7.1 No issues were identified in a screening for potential equality impact of this report.

## **8. Strategic Assessment**

- 8.1 The strategic priorities for 2011/12 of social and economic regeneration, financial strategy, asset management and fit for purpose services were agreed by Council on 25 May 2011.
- 8.2 One of the five strategic risk themes relates to the “Strategic Priorities” (see Table 1 above) and therefore adherence to the strategic risk process will itself:-
- Contribute to consideration of all four strategic priority areas by Elected Members;
  - Assist the CMT in making decisions which ensure that resources, projects and programmes of work are aligned to deliver on these priorities.

## **9. Conclusions and Recommendations**

- 9.1 This report provides an update of the work done so far and the work now planned in order to take risk management forward within the Council.
- 9.2 Elected Members are asked to note and comment upon the contents of this report and the progress made in the risk management process.

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**David McMillan**  
**Chief Executive**  
**Date: 15 August 2011**

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**Appendices:** None

**Background Reports:** [Audit Scotland: Best Value toolkits](#)  
Website address: <http://www.audit-scotland.gov.uk/work/toolkits/index.php>

**Wards Affected:** All