



## **IPSM E-BULLETIN** **NO.3 (E-TOPICS) –** **SUMMER 2005**

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### **INTRODUCTION**

Welcome to the latest edition of E-Topics, the official journal for IPSM members. This edition contains a number of excellent and thought-provoking articles by external contributors. I heartily commend Dr Paul Toyne's compelling item on the practical application of the principles associated with Corporate Social Responsibility in relation to risk management, as well as the Director of AWICS's (Adrian Waite) item on his Organisation's role in assisting Government Offices with the evaluation of the financial aspects of Stock Options Appraisals.

Whilst writing, you may be interested to learn that the IPSM Council is giving serious consideration to establishing a discussion forum for members only. As a professional organisation whose membership comprises almost every imaginable element of the public services "spectrum", such a mutual support mechanism could be tremendously helpful to all members, dedicated as we are to the highest standards of service provision, based upon skills, qualifications, experience and examples of best practice. This includes that most vital aspect of "joined-up-thinking", working in partnership with other practitioners in the public, voluntary and not-for-profit sectors.

In this life, anyone can make an error of judgement – a mistake, we usually like to say. I'm painfully aware of two mistakes I myself have made today! After all, "to err is

human...” But not to realise our full potential? Especially when that realisation can benefit so richly those we seek to serve? Not even to look, to see whether there might be “a better, more productive way” of doing things? Now that really IS a crime!

Derek Wolfe, FIPSM,  
Hon. Secretary

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## **WELCOME TO NEW MEMBERS AND FELLOWS**

I am sure that all our members would like to join with me in welcoming the following people into our Institute. These 9 new members have joined within recent months.

Shirley Gunn, Tamara Margitic, Dee Bingham, Benjamin Meroyi, Mervyn Pilley, John Hughes, Ahoefa Hales, Mark Woods and Virgo Eyo.

I would also like to take this opportunity to congratulate those members who have recently attained fellowship status, namely: -

Gerard Ritchie and Martin Green

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## **MEET THE COUNCIL**

As members will doubtless be aware, the Institute’s headquarters have moved south from their former Bolton base, and are now located in (sometimes) sunny Devon, in the small market town of Axminster (population circa 6,000.) The town’s one claim to fame is the production of much-sought-after “Axminster” carpets, this having commenced in 1755 when Thomas Whitty set up his first looms in a building located close to the centre of the town, alongside the river Axe and the former route of the A35, before the Town was by-passed in 1994.

The IPSM’s Council currently comprises 7 members, although this number has fluctuated between 7 and 12 in recent years. Council members are elected at the Organisation’s AGM in October or November each year, and appointments are made to official positions (President, Vice-President, Hon. Secretary and Hon. Treasurer) at the same time.

The Council’s last meeting took place in London on 4<sup>th</sup> July, and its next meeting will be held on Friday 9<sup>th</sup> September. Issues being examined by Council members include the future make-up and composition of the Council, boosting membership enquiries and recruitment opportunities, a possible redesign of the IPSM’s website, the increased use of the Internet to provide up-to-date and effective communication with the Organisation’s membership, specific proposals for meeting members’ training needs and aspirations, and relaunching the existing agreement with Badenoch and Clark in relation to job opportunities for student and full members in particular.

Council has agreed that this year’s AGM, Conference and an associated training seminar will be held on Thursday 17<sup>th</sup> and Friday 18<sup>th</sup> November, at a venue to be

identified. Further detailed information will be circulated immediately following the September Council meeting, via the autumn edition of Topics.

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## **HOW CORPORATE SOCIAL RESPONSIBILITY CAN HELP MANAGE RISK**

Corporate social responsibility (CSR) is all about identifying the risks and opportunities that reduce the negative impact of an organisation by improving its environmental, social and economic performance. Ultimately it is about responsibilities wider than just shareholders, customers, and employees that extend to communities and society as a whole. However, from my experience it is mostly borne out of enlightened self-interest to reduce the risk to reputation and the bottom line. For example, European companies like

Anglo American investing in HIV healthcare programmes for its workforce in Africa may be doing so for moral reasons, because it's the 'right thing to do', but it is also a risk strategy to ensure it has a workforce for the future. Royal Dutch Shell's commitment to high environmental standards is not just about improving its environmental performance but also about managing the risks to their reputation if a disaster were to occur and the impact it would have on its licence to operate. These approaches should not be condemned as they are seated in realism and are positive actions that improve situations. So just how can CSR help manage risk?

### **What are the main areas of risk to a business?**

Corporate reputation, governance and ethics are all issues associated with CSR that have made the news headlines in the last few years. Examples include - the ethics of arms and defence deals, 'fat cat' director salaries and shareholder activism, illegal workers and supply chain issues, the financial scandal of Parmalat, and the famous collapses of Enron and WorldCom and false accounting. These are all topical issues that have demonstrated areas of risk to companies. All are important issues in their own right. By answering the following questions I hope to demonstrate the important role CSR has within a business in identifying and addressing risk. What is risk? What do words like governance really mean? Why are they headline news? And what can CSR really do to help?

### **Risk**

Managing and controlling risk is key to running a successful organisation. Risk can be defined as the possibility of suffering harm or loss. Within the area of CSR there are four general areas of risk:-

**Firstly the supply chain, country specific such as human rights abuses, or company specific risks such as pollution.**

**Secondly, operational risks which cover compliance with regulation, employee satisfaction and dangerous operations.**

**Thirdly, products that include use of hazardous raw materials (e.g. nuclear energy) waste during production, and health and safety issues.**

**Lastly there are societal expectations, covering what society demands of a business in the 21<sup>st</sup> Century.**

### **Governance**

Good governance will ensure both current and future risks that affect all stakeholders are identified and that the appropriate internal controls (accountability mechanisms, systems and procedures) are used to mitigate, and in some cases, turn risk into opportunities. Poor governance reflects a culture where employees are not involved in the way things are done, or even worse, one where corporate governance (the way a business operates and the role of the board) procedures do not exist and whistle blowing becomes necessary. Very much connected with the issue of governance is the culture of the organisation.

## **Company culture**

Providing an enabling culture whereby staffs feel that they can ask inquiring questions about the running of the business or individual employees' activities is desirable. This is because it acts as a safeguard and allows problems to be addressed early on, so managing risk. The demise of Baring Bank through rogue trading 10 years ago is an excellent example of what happens when poor governance and weak management allows staff to operate in isolation without anyone checking.

## **Corporate reputation**

An organisation's reputation is built on its relationship with staff, customers, suppliers, investors and the community they operate within. These stakeholders are the very same that CSR activities seek to involve. This is why CSR can help maintain and enhance reputations. A negative reputation can lead to a drop in share value of the business, a decrease in profitability as customer and staff loyalty drops, a decrease in business opportunities (as potential partners question their trust and integrity), a decrease in new investment as the business is seen as a greater risk, and even increased insurance premiums.

## **How to manage risk**

First the risk needs to be identified. This is where a company's culture is important. Having an organisational culture of accountability, transparency and staff involvement (inclusiveness) is beneficial as staff and suppliers can act as risk detectors and feedback on early warning signs. Here the human resources department has a role to play ensuring the culture of the organisation is one where there is a planned process that captures this feedback. An example of this type of approach is that of Roche, who worked with Article 13 in identifying dilemmas for employees involved within the drug development side of the business. The pharmaceutical industry is a highly legislated and regulated environment with numerous industry standard operating procedures (SOPs), guidelines covering all aspects of good practice in clinical trials, and review processes through external ethics committees. Through facilitated workshops the dilemmas experienced by Roche employees in everyday work that were not covered in SOPs or in Roche's own corporate principles were identified and their impacts analysed.

The findings revealed that the organisation could be at risk if staff did not have a planned way to deal with dilemmas e.g. an ethical concern became a full-blown issue if left unmanaged. The need for some type of internal support for staff on ethical decisions and responsibilities became apparent. Staff did not want another 'policy' but a process that enabled staff to engage with the issues and resolve them. From this debate a process that dealt with four key themes: patients, colleagues, trust and integrity was developed. The approach was trialled and human resources staff and trainers have been key to integrating the approach into training and induction sessions. Through trialling, measures of success have been developed so that its implementation can be monitored and the approach improved. The strength of this work was the governance and buy-in generated by participation alongside the flexibility of bringing in facilitators and champions of issues in society.

This example demonstrates the emergent 'involve me' culture reflected in the wider corporate social responsibility agenda in which stakeholders, in this case employees, are working in partnership with their organisation to deliver in an environment where risk, or indeed opportunity, is identified and managed.

## **'De-risking'**

Everybody within the company from the directors to the staff at the 'coalface' has a crucial role in the development and implementation of CSR within an organisation. The development of CSR policies needs the strategic input from senior managers with input from all stakeholders involved, as without their support, implementation will simply not happen. It is the implementation of CSR policies that acts as a mechanism to support employees facing 'risks'. By first benchmarking your organisations performance on CSR activities you will identify areas of risk. Actions need to be identified and through regularly monitoring and evaluation, the risks can be managed and ultimately be turned into an opportunity. Key to this is your staff; they are the ones that will know where the risks are. So their engagement is key. To help, there are a number of things you can do – run workshops to engage with staff and suppliers to explore areas of risk or develop interactive intranet sites showing case examples of good practice. Internally you could build in opportunities for the promotion of good practice at staff meetings; involve staff in reviewing company policy and procedures to ensure values are consistent from procurement, recruitment, training, and appraisals to exit interviews. Through consulting and involving staff more in the running of a business; and providing feedback questionnaires for employees, customers and suppliers you can demonstrate how the organisation is living its values.

## **Is CSR worth it?**

Like all actions, CSR requires an investment. The business case can be made through cost/benefit analysis on many CSR interventions e.g. on improving energy efficiency. However, how do you value your reputation? If you doubt the role of the CSR in risk management there is one other consideration. The EU is watching closely the implementation of the Operating Financial Review (OFR) as part of company law in 2005. This requires UK business to formally report on issues that are material to the business; depending on the company this could include CSR issues. In this way it is envisaged that non-financial reporting, such as CSR reports, will be incorporated into mainstream company reporting that is audited. If successful, it may be adopted across Europe and that will mean all CEO's will need to consider CSR as part of their formal reporting and risk management. This may be a good enough reason for CSR to be worth it.

*Article 13 is a specialist advisor in governance, business responsibility and sustainable development. It works with companies, governments and academic institutions to meet the growing pressure for better performance, whether it be social, environmental, ethical or economic.*

## **Article 13 produces a guide on how to reduce risk**

Questions to ask the board or senior management team: -

- Do we have a way of managing risk?
- How do we identify and assess risk?
- Social and environmental and ethical risk can be addressed by CSR policies. Do we have CSR policies?
- Do these policies reflect the values of the company?
- Are these policies understood and practiced by the business?
- The answers to these questions should enable you to make a quick assessment of the strengths and vulnerabilities to risk in your company. For further details see [www.article13.com](http://www.article13.com) *Dr Paul Toyne, Director, Article 13.*

## **FINANCIAL EVALUATION OF OPTIONS APPRAISAL SUBMISSIONS**

'AWICS' is now assisting Government Offices with the evaluation of the financial aspects of Stock Options Appraisals. This means that 'AWICS' has experience of stock options appraisals from the point of view of the lead adviser, financial specialist, independent tenants' adviser and evaluator on behalf of Government. Authorities that are submitting their options appraisals for sign-off will want to know what the government offices will be looking for.

The Sustainable Communities Plan launched by the Deputy Prime Minister in 'February 2003 introduced a requirement for all stock-holding local authorities to produce an objective and rigorous appraisal of their investment options to meet the Government target of bringing all social housing into a decent condition by 2010 for sign off by Government Regional Offices by July 2005 – a Stock Option Appraisal.

In producing their Options Appraisals, local authorities need to consider their ability to meet the Decent Homes target by retaining the stock and the alternative management arrangements and increased investment in the stock available through establishing an Arms Length Management Organisation, the Private Finance Initiative or transfer of ownership to a registered social landlord or by a mixture of these options. Government offices are looking for local authorities to have treated all the options consistently and not to have pre-judged the outcome.

A fundamental part of the Options Appraisal is the financial appraisal. This needs to provide clear information on the financial case via a robust and comprehensive financial analysis of each of the available options. In order for Government Offices to sign off each Options Appraisal, a robust and thorough evaluation of the financial case is therefore crucial.

Such an evaluation requires: -

- A good understanding of the costs of running the service;
- Comprehensive information on the resources currently available from the various funding streams that support council housing;
- A sound analysis of likely future resources required to fund renovation and stock improvements as well as day-to day management and maintenance costs; and
- A realistic analysis of the likely future resources available to fund stock improvements.

The role of the financial evaluator is to ensure that a local authority has addressed these issues adequately.

The areas of work that typically need to be covered by the financial evaluator include:

- Verification of the financial models underpinning the final recommendation of an option or mix of options including overall robustness of the financial data.
- Confirmation of the reasonableness of the financial assumptions including sensitivities identified by the local authority for base case and all options
- Advice to the local authority where further sensitivity analysis is required of the assumptions and the risks identified for all options or mix of options

- Confirmation of the robustness of the assumptions and the modelling of the impact of and relationship between mixed options (including such issues as diseconomies of scale)
- Confirmation of the reasonableness of the models used to assess the financial costs and benefits of the options and any deviations from normal practice
- Confirmation that there is a consistent link between the investment appraisal and latest Housing Revenue Account business plan
- Advice direct to the local authority of errors/gaps in the financial aspects of the Options Appraisal and discussions with the local authority and Government Office officials to correct them
- Production of an end of contract report giving an explicit recommendation to Government Office that the final financial case meets the Office of the Deputy Prime Minister's guidance on Options Appraisal sign off procedures

The Office of the Deputy Prime Minister's requirements for Financial Appraisal are that there is:

*"Clear information about the financial impact of each option on revenue and capital within the Housing Revenue Account and impact on the General Fund. Where this is outsourced to consultants, tenants, staff and councillors should be aware of the implications and assumptions behind these. The Independent Tenants' Adviser will have a role in helping tenants understand and contribute to this process."*

The Office of the Deputy Prime Minister has identified four pieces of evidence that should be submitted by local authorities as evidence that they have achieved this:

- Sensitivity analysis of assumptions and risks identified for all options or mix of options
- Consistency between the investment appraisal and latest business plan
- Analysis and consideration of the application of usable receipts and management cost base including recharges to the Housing Revenue Account
- The reasonableness of the financial assumptions including impact of planned possible changes

The financial evaluator therefore needs to review the way in which the local authority has addressed these matters so that the Government office can be assured that the local authority has carried out a robust and objective analysis that is based on good quality factual information and reasonable assumptions.

In practice, most authorities have submitted compliant options appraisals, although weaknesses have been identified in some cases, including:

- Use of inconsistent assumptions in modelling the different options. In these instances the evaluator will assess the effect of using consistent assumptions and whether this could have led the authority to select a different preferred option.
- Not addressing all relevant factors. For example, appraising the general needs stock and excluding sheltered housing from the analysis.
- Not considering mixed options adequately.

Adrian Waite  
Managing Director,  
AWICS

## **COMPUTING ADVICE - STAYING SAFE FROM HACKERS, INTRUDERS AND VIRUSES**

There is now a range of software packages available on the market, designed to safeguard your computer from unauthorised activity and debilitating viruses. By-and-large, these programmes perform different functions.

For example, McAfee and Norton Anti-Virus protect your computer against viruses already downloaded, and from new viruses being downloaded. Such software is particularly effective if the “automatic update” function is turned on, affording protection from the latest virus threats as soon as you go online.

Programmes such as Ad-Aware and Spy-Bot get rid of stealth advertisements, spy ware and cookies installed without your knowledge and (more importantly) without your permission when you surf the Internet. Both the above afford protection free-of-charge, although additional and regularly updated protection can be obtained if they are subscribed to.

Other safeguarding programmes, (such as Mailwasher, for example) act as intermediaries between the mail server and the e-mail programme (typically Outlook Express 6 or Microsoft Outlook) on your PC. I use Mailwasher all the time for 3 email accounts. Nothing is ever downloaded on to my PC via email unless I give it express permission first. Mailwasher enables me to do this with ease, although there are other equally effective software programmes that provide the same type of function, scanning e-mails, whether being sent or received. If, in the event, I have been fooled into downloading an email or attachment with a virus, then Norton AV will pick it up.

I personally use Ad-Aware & Spy-Bot on a regular basis and using their free versions. However, these only work post-event. If you want to protect against spy ware etc BEFORE it gets on your machine then you will need to pay for the appropriate software, although Zone Alarm (a relatively recent arrival on the software market) does at least allow you a 15 day trial period first.

My advice is to use all the different types of software protection available, and to trust nobody who sends you e-mails containing attachments, as often even your closest colleagues and friends will not themselves be aware that they have a virus or similar problem on their PC's – at least, not until it is too late! Believe nothing that comes to you over the Internet. Keep your anti-virus and firewall software up to date, and ensure maximum security at all times.

Martin Harvey,  
Council Member and IPSM Webmaster.

## A SANTIAGO PILGRIMAGE

In June, I joined three friends for a pilgrimage to on the *Camino* (way) to Santiago de Compostela. The shrine of the apostle, St James the Great was created in the Middle Ages, when monks found a sarcophagus which they interpreted to be that of the Saint. From then on, thousands of pilgrims came from all over Europe, by sea, foot or horseback. The tradition continues today.



Many pilgrims spend a few weeks or even months, walking from France, Italy, Germany or elsewhere. There are a variety of different routes to Santiago. We had only 5 days available to walk, so we began in the town of Sarria and completed the final 120 kilometres to Santiago. A pilgrim who completes at least 100km on foot or 250 km on a bicycle or on horseback may receive a Compostela-a certificate of completion.

Carrying in our rucksacks everything we took to Spain, we rose each day around 5 am and, too early for breakfast; we covered as much ground as possible before the midsummer sun rose. The terrain of this section was not particularly difficult-farm tracks and forest paths, but the days were long, accentuated by the Spanish custom of not serving dinner until around 9 pm. And it was hot!

We stayed in cheap hotels but many pilgrims use the refugios or albergues- inexpensive hostels- along the route. On arrival at Santiago Cathedral we attended the 12 noon Pilgrim Mass. We were fortunate to see the centuries' old custom, after Mass, of 6 vergers swinging a 6 foot high incense burner, el Botafumerio up to the roof- a truly awe inspiring sight. Apparently over the years, the Botafumerio has occasionally broken loose, on occasion ending up in the square outside-but it is said, no-one has ever been killed by it.

That evening we met Cherie Blair at an hotel, and arranged to meet her again at the following day's Pilgrim Mass. A photograph of us together is, technology permitting, published with this article.

The pilgrimage was inspiring for each of us and we met people of many nationalities (often again and again along the route) as well as receiving a warm welcome from our Spanish hosts along the way.

For information about the *Camino* see the website of the *Confraternity of St James* <http://www.csj.org.uk/>

Stephen Guile  
Council Member

## LETTERS

Dear Derek,

Thank you for writing to me. You will appreciate that I have now retired and my interests have changed. Basically in return for my pensions, I do charitable work mainly at board level doing stuff like promoting companies and getting charity numbers plus the usual returns to Companies House and the Charity Commission.

I do look at TOPICS and if I do have anything to contribute I will get in touch. Thank you again for contacting me. I wish you well in what you are doing. I once was Honorary Secretary.

Best wishes.

Yours sincerely,  
Albert Chapman  
(Honorary Member)

.....  
*(Letter from a member who had previously stated his intention of resigning)*

Dear Lynette,

I was so impressed with the e-newsletter [April/May TOPICS] that I have decided to renew.

Many thanks  
Vincent Hunt

.....  
Dear Mrs Wolfe,

Firstly may I apologise for not having replied to your earlier invoice and for the late reply to your reminder.

However, having now virtually retired from all work which involves administration I feel that remaining a member of the Institute is no longer justified and I am therefore tendering my resignation as from now.

I should like to take this opportunity of thanking you for the help I have received in the past by the means of the interesting articles you have circulated to members.

Yours sincerely,  
Miss Gill Knowles

Dear Mrs Wolfe,

As I am no longer employed within the public sector I will not be renewing my membership of IPSM.

Thank you for all the previous information and correspondence relating to IPSM.

Yours sincerely,  
Patricia Sullivan

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# IAVM 2005

The Institute for  
Advanced Volunteer  
Management Residential  
Wednesday, 16th - Friday,  
18th November 2005

The Britannia Hotel, Coventry

The 7th Annual IAVM Residential offers:

- \* International Faculty of Expert Trainers
  - \* 37 workshops, 24 new in 2005!
  - \*Keynote Speaker
  - \*Plenaries
- \* Individual Consultations with Faculty
  - \*Volunteer Management Clinic
- \*Topical Themes: Change Management & Managing Diversity
- \* Invaluable Networking Opportunities

Day Delegates: £390  
Residents: £475 Graduate Associates  
Residents: Bursaries & Group Bookings £500  
Residents: Standard Rate £575(all rates per person  
& inclusive of VAT)

The IAVM Regional Workshop Series 2005  
A range of workshops on all aspects of volunteer management presented by members of the IAVM Faculty of expert trainers. Topics to be covered this year include Volunteer Management Essentials, Risk Management, and Policy Development

The IAVM Book Shop  
A wide selection of volunteer management books, audio cassettes and CD-Roms devised specially for managers of volunteers and/or volunteer programmes in the charitable, voluntary and not-for-profit sector

For information visit on IAVM 2005:  
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