



Council Offices, Almada Street
Hamilton, ML3 0AA

Tuesday, 19 November 2019

Dear Councillor

Risk and Audit Scrutiny Committee

The Members listed below are requested to attend a meeting of the Committee to be held as follows:-

Date: Wednesday, 27 November 2019

Time: 10:00

Venue: Committee Room 2, Council Offices, Almada Street, Hamilton, ML3 0AA

The business to be considered at the meeting is listed overleaf.

Yours sincerely

Paul Manning
Depute Chief Executive

Members

Graeme Campbell (Chair), Walter Brogan, Mary Donnelly, Grant Ferguson, Martin Lennon, Julia Marrs, Davie McLachlan, Carol Nugent, Jim Wardhaugh, Jared Wark

Substitutes

Janine Calikes, Margaret Cowie, Isobel Dorman, Ian Harrow, Eric Holford, Bert Thomson

BUSINESS

1 Declaration of Interests

- 2 Minutes of Previous Meeting** 3 - 8
Minutes of the meeting of Risk and Audit Scrutiny Committee held on 18 September 2019 submitted for approval as a correct record. (Copy attached)

Item(s) for Decision

- 3 Internal Audit Activity as at 31 October 2019** 9 - 14
Report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Item(s) for Noting

- 4 2018/2019 Year End Insured Risks Report** 15 - 28
Report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 5 Review of Council's Top Risks/Year End Risk Management Report** 29 - 36
Report dated 28 October 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 Actuarial Review of the Council's Self Insurance Fund** 37 - 42
Report dated 28 October 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 Forward Programme for Future Meetings** 43 - 46
Report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Urgent Business

- 8 Urgent Business**
Any other items of business which the Chair decides are urgent.

Clerk Name: Pauline MacRae
Clerk Telephone: 01698 454108
Clerk Email: pauline.macrae@southlanarkshire.gov.uk

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 18 September 2019

Chair:

Councillor Graeme Campbell

Councillors Present:

Councillor Poppy Corbett, Councillor Maureen Devlin, Councillor Mary Donnelly, Councillor Mark Horsham, Councillor Julia Marrs, Councillor Carol Nugent, Councillor Margaret B Walker

Councillor Also Present:

Councillor John Ross (for items 3 and 4)

Councillors' Apologies:

Councillor Martin Lennon, Councillor Jim Wardhaugh

Attending:

Finance and Corporate Resources

P Manning, Executive Director and Depute Chief Executive; Y Douglas, Audit and Compliance Manager; P MacRae, Administration Officer; N Reid, Improvement and Community Planning Manager; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

A Kerr, F Mitchell-Knight and D Richardson, External Auditors

1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 19 June 2019 were submitted for approval as a correct record.

The Committee decided: that the minutes be approved as a correct record.

3 External Auditors' Annual Report to South Lanarkshire Council 2018/2019

The following documents were submitted by Audit Scotland, the Council's external auditors:-

- ◆ letter and appendices relating to the 2018/2019 Annual Audit report on South Lanarkshire Council and registered charities administered by South Lanarkshire Council
- ◆ 2018/2019 South Lanarkshire Council proposed Annual Audit report to members of the Council and the Controller of Audit

The Audit Director, Audit Scotland, introduced the report and the Senior Audit Manager, Audit Scotland, spoke on the Annual Audit report and highlighted the following:-

- ◆ the audit of the 2018/2019 Annual Accounts
- ◆ financial management
- ◆ financial sustainability
- ◆ governance and transparency
- ◆ value for money
- ◆ key messages
- ◆ 2018/2019 action plan on recommendations for improvement
- ◆ significant audit risks identified during planning of the audit

The Senior Audit Manager also referred to significant findings from the audit of financial statements in relation to:-

- ◆ pension liability
- ◆ loans fund
- ◆ holiday pay accrual
- ◆ South Lanarkshire Integration Joint Board

The external auditors' opinion on the Council's Annual Accounts 2018/2019 and those of the 3 charities administered by the Council was unqualified.

Officers responded to a member's question on pension liability.

The Committee decided: that the report be noted.

4 Audited Annual Accounts 2018/2019

A report dated 10 September 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Council's Certified Annual Accounts and Charitable Trusts' Accounts for 2018/2019, which had received a clear audit certificate from the Council's external auditors, Audit Scotland
- ◆ requirement to approve the Annual Accounts 2018/2019 for signature in terms of both the Council's accounts and related charitable trusts

The accounts covered the Council as well as 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust. A clean audit certificate had been received for each and no specific actions were required.

The Annual Accounts would be advertised as being available for public inspection in Finance Services, Floor 4, Council Offices, Almada Street, Hamilton and also on the Council's website.

The Committee decided:

- (1) that the South Lanarkshire Council Annual Accounts 2018/2019 and the Charitable Trusts' Accounts, which had received a clean audit certificate from the Council's external auditors, Audit Scotland, be approved for signature; and
- (2) that it be noted that the external auditors' report would be referred to a future meeting of South Lanarkshire Council for noting.

5 Internal Audit Activity as at 30 August 2019

A report dated 30 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 1 June to 30 August 2019.

Details were given on the progress of audit assignments and the performance of Internal Audit which highlighted that:-

- ◆ 73% of assignments had been delivered within budget against a target of 80%
- ◆ 100% of draft reports had been delivered on time against a target of 80%
- ◆ 61% of the 2019/2020 Internal Audit Plan had commenced
- ◆ 100% of audit assignments had been concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%

The findings from assignments completed in the period 1 June to 30 August 2019 were detailed in Appendix 2 to the report. Significant assignments completed in the period were detailed in Appendix 3 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 13 June 2019 (Paragraph 6)]

6 Efficiency Savings 2018/2019

A report dated 7 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's Efficiency Savings for 2018/2019.

As part of the Scottish Government's efficiencies agenda, councils had been asked to return information on efficiencies generated in the year.

The level of efficiencies achieved by the Council in 2018/2019 was £32.628 million. This figure took account of the removal of any savings which were not considered to be efficiencies achieved in the year. The efficiency savings did, however, include efficiencies achieved through improved procurement practices, corporate solutions and those identified by the Lanarkshire Valuation Joint Board.

The Council continued to recognise the ongoing requirement to demonstrate efficiency, with continuous improvement remaining a key principle of Best Value.

The Efficiency Statement, which was attached as an appendix to the report, had been forwarded to COSLA by the due date of 23 August 2019.

The Committee decided: that the report be noted.

[Reference: Minutes of 14 November 2018 (Paragraph 7)]

7 2018 National Fraud Initiative Exercise

A report dated 30 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the 2018 National Fraud Initiative (NFI).

The NFI matched similar data in different public sector systems and identified possible inconsistencies. Those inconsistencies, known as matches, required to be investigated by local authorities with a view to detecting fraud. Until 2014, the focus of the initiative had alternated annually between a limited and a full exercise. The full exercise continued to be undertaken every 2 years, however, the limited Single Person Discount (SPD) exercise, where the electoral register and council tax data were compared to detect cases where Single Person Discount was being claimed and there was more than 1 person over 18 in the household, could now be carried out annually. The 2018 NFI had been a full exercise and involved Council wide comparisons including:-

- ◆ benefits
- ◆ payroll
- ◆ creditors
- ◆ licences
- ◆ blue badge holders
- ◆ recipients of direct funding
- ◆ private nursing home residents

Records had also been matched to the Department for Work and Pensions' deceased persons' records.

Details were given on the results of the 2018 exercise which, for the Council, highlighted that:-

- ◆ at 30 August 2019, a total of 22,926 matches had been identified which represented an increase of 627 matches, compared with the previous exercise in 2016
- ◆ the greatest increase was in the number of matches relating to Creditors, both in terms of Creditors' Payments and Standing Data. The target number of investigations into Creditors' Payments had already been exceeded with 782 matches investigated and closed against a total target number of investigations of 774
- ◆ the greatest decrease was in the number of matches relating to blue badges. This decrease primarily reflected an issue during the 2016 exercise where responsibility transferred from Social Work Resources to Finance and Corporate Resources and there had been a short-term backlog in updating this database

A target number of matches to be investigated was determined on a risk basis. The Council would investigate a minimum of 2,099 matches, excluding those relating to Single Person Discount (SPD)

The following information was provided in appendices 1 to 3 of the report respectively:-

- ◆ details of the match areas covered in the 2018 exercise
- ◆ a comparison of matches across the 2016 and 2018 exercises
- ◆ a detailed breakdown of the targets by area

The Committee decided: that the report be noted.

[Reference: Minutes of 14 November 2018 (Paragraph 7)]

8 Fraud Statistics Annual Report 2019

A report dated 30 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2019 and comparing those figures with the previous year's statistics.

The number, types, outcomes and costs of fraud investigations, together with performance measures for the year to 31 March 2019, were detailed in the report. A comparison to the statistics for the same period in the previous year was also provided. Those statistics highlighted that:-

- ◆ 182 fraud investigations with a total value of £158,000 had been reported in the period, representing an increase in number and decrease in value from the previous year
- ◆ 72% of cases investigated were founded
- ◆ 98% of founded cases related to benefit fraud or fraud committed by a third party

On conclusion of all internal investigations, an assessment was made on whether improvement actions were necessary. 3 improvement plans had resulted from fraud investigations during the year to 31 March 2019.

The Committee decided: that the report be noted.

[Reference: Minutes of 18 September 2018 (Paragraph 7)]

9 Audit Scotland Report: Safeguarding public money: are you getting it right?

A report dated 29 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Safeguarding public money: are you getting it right?'

The Audit Scotland report, which had been published in April 2019, recognised that councils faced a number of challenges, including complex and challenging financial pressures.

Details were given on the Audit Scotland report which was divided into the following 3 parts:-

- ◆ Part 1 internal controls help council to manage risks
- ◆ Part 2 weak controls can have serious consequences
- ◆ Part 3 Officers and Councilors both have important roles

A number of key messages were set out in the report relating to:-

- ◆ the requirement for an effective system of internal controls and risk management
- ◆ indications that standards of internal controls might be strained
- ◆ Councillors' accountability for scrutinising councils' use of public money
- ◆ the need for Councillors to seek assurances from officers that a rigorous system of internal controls was in place

The Audit Scotland report contained checklists for Councillors' use in evaluating their level of assurance in relation to specific areas. Those, together with the Council's response, where applicable, were contained in the appendices to the Executive Director's report.

Officers responded to members' questions on various aspects of the report.

The Committee decided: that the key messages in the Audit Scotland report entitled 'Safeguarding public money: are you getting it right?' be noted.

10 Audit Scotland Report: Challenges and Performance 2019

A report dated 4 September 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Challenges and Performance 2019'.

Audit Scotland published an overview report each year, on behalf of the Accounts Commission, covering key areas of current and future activity relative to local government and providing an opinion on how those were, or should be, managed.

The Audit Scotland report was divided into the following 3 parts:-

- ◆ Part 1 the context for councils
- ◆ Part 2 how councils are responding
- ◆ Part 3 council performance and the impact on communities

A number of key messages arising from the report were highlighted. Details of Audit Scotland's recommendations for councils were provided, together with an assessment of the position in this Council.

The Committee decided: that the key messages and recommendations detailed in the Audit Scotland report entitled 'Challenges and Performance 2019' be noted.

[Reference: Minutes of 14 November 2018 (Paragraph 6)]

11 Forward Programme for Future Meetings

A report dated 29 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held on 27 November 2019.

As part of future arrangements, members were invited to suggest topics for inclusion in the Committee's forward programme.

The Committee decided: that the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held on 27 November 2019 be noted.

12 Urgent Business

There were no items of urgent business.

Report

3

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 November 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 31 October 2019
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of, the Internal Audit service in the period to 31 October 2019
- ◆ Seek approval to amend the 2019/2020 Audit Plan
- ◆ Request Members suggest ideas for inclusion in the 2020/2021 Internal Audit Plan

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress and performance is noted
- (2) that revisions to the 2019/2020 Audit Plan are approved
- (3) that Members suggest ideas for inclusion in the 2020/2021 Internal Audit Plan

3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in September 2019. This reported on work completed in the period 1 June to 30 August 2019. This report covers all work completed in the period 31 August to 31 October 2019. Performance information is also included.

4. Performance

4.1. As at 31 October 2019, 88% of 2019/2020 assignments have been started. The other key performance indicators reflecting quality, on time and within budget for the period to 31 October 2019 are summarised in Appendix One together with explanations. 100% of draft reports have been issued on time and 78% within budget against targets of 80% respectively. Quality continues to be monitored through internal quality control procedures.

4.2. Client contributions to the delivery of the audit plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly, once agreed. 100% of audit assignments were concluded to a signed action plan within four weeks of the issue of a draft report against a target set of 80%.

4.3. Members are asked to note performance.

5. Findings

5.1. Appendix Two lists all assignments completed in the period 31 August to 31 October 2019.

5.2. Members are asked to note findings.

6. Progress Against Strategy

6.1. The Public Sector Internal Audit Standards (PSIAS) requires progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.

6.2. Delivery of the strategy will be evidenced by completion of the 2019/2020 Plan and will be monitored through the performance indicators regularly reported to the Committee throughout the period.

7. Review of 2019/2020 Audit Plan

7.1. A review of the current year's Audit Plan has identified that the following four audit assignments should be deferred to a future year's Audit Plan for the specific reasons noted below:

Assignment Number	Assignment Title	Reason
I214089	Job Costing – Housing and Technical Resources	Job costing work being concluded within other Council Service. The outcome of this work will inform the approach to similar planned audits in future years.
I342073	Nursery Admissions	System in early stages of development. Will be included in a future year's audit plan.
I533022	Financial System - Council Tax	Time has been used to review the sundry debtor reconciliation process and address an External Audit action in this area.
I541021	Digital Maturity Assessment	Level of progress has been made but deferring work to 2020/2021 would allow audit output to add more value.

7.2. This would release 100 days which could be utilised to complete the remaining assignments, within the 2019/2020 Plan, by 31 March 2020.

- 7.3. These amendments are considered to comply with the overall audit strategy and will have no impact on the ability to express an opinion within the Annual Assurance report for 2019/2020. The Risk and Audit Scrutiny Committee is asked to approve these revisions.

8. Internal Audit Plan 2020/2021

- 8.1. Work has commenced to prepare the 2020/2021 Internal Audit Plan. Consultation meetings are being convened with Resources and External Audit by the end of the calendar year to discuss ideas and suggestions for inclusion in the Plan. Suggestions are also being sought from the Risk and Audit Scrutiny Committee. These should focus on specific risk areas where there are known control weaknesses.
- 8.2. Once the consultation process has been concluded, the comprehensive list of audit 'ideas' will be risk assessed and an audit plan presented to the Committee for approval that ensures adequate coverage across all risk areas.

9. Employee Implications

- 9.1. There are no employee issues.

10. Financial Implications

- 10.1. A breakeven position is forecast at the end of the financial year for the Internal Audit section.

11. Other Implications (Including Environmental and Risk Issues)

- 11.1. The main risks to the delivery of the Audit Plan are vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mainly mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan.
- 11.2. There are no implications for sustainability in terms of the information contained in this report.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. There is no requirement to equality assess the contents of this report.
- 12.2. Heads of Service are consulted on each and every audit assignment.

Paul Manning

Executive Director Finance and Corporate Resources

6 November 2019

Link(s) to Council Objectives/Ambitions/Values

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- ◆ Internal Audit Plan 2019/2020 – Risk and Audit Scrutiny Committee, 24 April 2019
- ◆ Internal Audit Activity as at 3 April 2019 - Risk and Audit Scrutiny Committee, 24 April 2019
- ◆ Internal Audit Activity as at 31 May 2019 - Risk and Audit Scrutiny Committee, 19 June 2019
- ◆ Internal Audit Activity as at 30 August 2019 – Risk and Audit Scrutiny Committee, 18 September 2019

List of Background Papers

- ◆ Figtree extracts of Action Plans

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Douglas, Audit and Compliance Manager

Ext: 2618

(Tel: 01698 452618)

E-mail: yvonne.douglas@southlanarkshire.gov.uk

Key audit performance indicators as at 31 October 2019

Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	14/18	78%	80%	All assignments over budget relate to older year audits closed in 2019/2020 where complexity of audit was under-estimated at the time of planning.
Draft reports delivered within 6 weeks of file review	5/5	100%	80%	
2019/2020 Audit Plan completed to draft by 31 March 2020	4/49	8%	100%	88% 2019/2020 Audit Plan is in progress and plans are in place to deliver this programme of work by 31 March 2020.
Internal Audit recommendations delivered on time	58/60	97%	90%	
Client to agree findings and actions within 4 weeks of draft issue	4/4	100%	80%	

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
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Prior Year – Assurance Reports

I676158	Planning Enquiry	31/03/2019	26/08/2019	Review of planning applications in response to a specific query. No evidence, in sample reviewed, to support concerns that had been raised.
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Current Year – Assurance Reports

I262087	General Ledger Data for 2018/2019	20/09/2019	20/09/2019	Provision of information to External Audit for purposes of the audit of financial accounts for year ended 31 March 2019.
I730046	Temporary Traffic Management Scrutiny Group 2019/20	02/10/2019	02/10/2019	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.

2018/2019**External Clients**

I934101	SEEMiS Follow-up 2018/2019	10/09/2019	10/09/2019	Reported to SEEMiS.
I948109	IJB Internal Audit Annual Report	10/09/2019	10/09/2019	Reported to IJB.

Report

4

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 November 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2018/2019 Year End Insured Risks Report
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ highlight trends on an annual basis, for insurance claims against the Council.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Insured Risks Report for year ended 31 March 2019 is noted
- (2) that progress made in implementing actions to mitigate insurance hotspots is noted

3. Background

- 3.1. The Council has in place insurance policies for employers' liability, public liability, motor, property and other miscellaneous risks.
- 3.2. The Council's employer's liability policy covers employee injury, disease and death, where the Council is deemed to be negligent. The current self-insured excess for this policy is £0.250million.
- 3.3. The public liability policy covers the Council's legal liability to pay claims for death, injury and disease to third parties, as well as third party property damage, where the Council is found to be responsible for such losses. The current self-insured excess for this policy is £0.250m.
- 3.4. Motor insurance provides comprehensive cover for all Council vehicles and injuries resulting from motor incidents. The current self-insured excess for this policy is £0.150m.
- 3.5. The property insurance policy covers damage/loss to Council buildings and assets. The current self-insured excess for this policy is £0.100m.

4. Overview and Analysis of Data

- 4.1. Claims which fall under the main policies are handled by the Council's Risk Management section and external claims handlers, Gallagher Bassett. The number and cost of these claims form the basis of this report and compares like years.

- 4.2. Claims will continue to be intimated beyond the financial year end, with numbers increasing by approximately 20 per cent on average. Up to date annual comparisons for the last five years are included at Appendix One. The comparison shows an overall downward trend in claims numbers, with claims costs initially reducing from 2014/2015 through to 2016/2017 but starting to rise again over the last two years.
- 4.3. In addition, to allow comparison of the position as at the year-end for the last two years, Appendix Two compares the claim numbers and costs for incidents reported in 2017/2018 as at 31 March 2018 against incidents reported in 2018/2019, as at 31 March 2019. In effect, this compares the equivalent position and removes the impact of late claims notification for both years.

5. Insurance –Total Losses Reported as at 31 March Each Year

- 5.1. Based on the comparisons in Appendix Two, the overall number of claims received to date for incidents occurring during 2018/2019 is 1,032. This is a reduction of 220 claims (18 per cent) on the numbers reported last year for 2017/2018.
- 5.2. The number of claims received for 2018/2019 is below the average for the last five years (1,156).
- 5.3. The total estimated cost of claims for 2018/2019 is £2.113m. At the same time last year, estimated claims costs for 2017/2018 was £1.963m. This is an increase of £0.150m (seven per cent).
- 5.4. The number of claims intimated during 2018/2019 for all classes of claim have reduced, when compared to the previous year. The estimated cost of public liability claims has also reduced, however, estimated costs have increased for property, motor and employer's liability claims.

6. Claim Highlights

- 6.1. A summary of claim highlights for the year and details of positive risk management activity aimed at reducing the number and cost of claims intimated are noted below.
- 6.2. Public liability claims numbers for 2018/2019 have reduced by 26 per cent, with costs down by 27 per cent when compared to the previous year. The main reason for this improvement is that Community and Enterprise Resources has seen a decrease of 154 claims, which is due to less pothole claims and the mainly milder winter.
- 6.3. The Driver Safety Group set a target of a five per cent reduction in the number of 'at fault' motor incidents, when compared the average for the three previous years. This target has been in place for a number of years now.
- 6.4. The number of "at fault" motor incidents has remained on a par with last year, with three fewer claims. The number of "at fault" incidents per vehicle for 2018/2019 has increased from 0.11 to 0.12. This is equal to the average for the previous three years, at 0.12 incidents per vehicle. The target of a five per cent improvement has, therefore, not been achieved. This is the first time since its introduction that the target has not been met.
- 6.5. Proposals to further mitigate road risk within the Council have been developed. This includes refreshing driver related policies and procedures, development of 'Changing Driver Behaviour Training' and use of telematics to review driving performance. Subject to approval, this initiative will be rolled out during 2019/2020.

- 6.6. Slips, trips and falls continue to be the main cause of employer's liability claims, with 11 claims intimated this year.
- 6.7. The number of property claims intimated for 2018/2019 has reduced by 27 per cent from the previous year. The cost of property insurance claims has, however, increased by 40 per cent.
- 6.8. The reason for the increase in costs is that more significant property damage claims have occurred in the last year. These claims include four house fire claims and one flood claim, each valued in excess of £0.030m. A further house fire claim was intimated with an estimated value in excess of £0.100m.
- 6.9. Whilst the overall number of house fires has reduced by 13, from 39 incidents in 2017/2018 to 26 in 2018/2019, more extensive fires have occurred in the last year. During 2017/2018, no house fire claims with remedial costs in excess of £0.030m took place.

7. Risk Management Fund

- 7.1. A central fund is held by Risk Management to assist Resources in funding for specific risk management initiatives. A bidding process is in place for the limited funds. All bids are considered on their individual merits against set criteria.
- 7.2. Examples of successful bids over the last 12 months, are summarised below, with full details of these and the resultant positive effects covered in Appendix Three:-
- Purchase of Body Cams for Housing and Technical Resources Standby Tradesmen to mitigate violent incidents and spurious complaints
 - Replacement fire rated flat entrance doors to improve fire safety within multi storey residential properties
 - Purchase of Video Doorbells to protect vulnerable persons from doorstep criminals
 - Improved security in golf course bothies to mitigate against break ins and theft incidents
- 7.3. Resources are encouraged to implement spend to save initiatives where potential savings are likely to outweigh initial outlay costs.

8. Insurance Hotspots

- 8.1. A review of all claims that were intimated to the Council for incidents that occurred during the period 1 April 2014 to 31 December 2016 was previously undertaken. The review identified claims trends for this period and highlighted new emerging areas of risk.
- 8.2. Forty one actions to mitigate the identified hotspot areas were agreed with Resources and these were reported to the Risk and Audit Scrutiny Forum in the 2016/2017 Year End Insured Risks Report.
- 8.3. Progress made in implementing these actions is noted in Table Three:

Table Three – Progress in completing insurance hot spot actions

	Number of actions	Number of actions completed	Number of actions outstanding	Comments
Community and Enterprise Resources	7	7	0	
Education Resources	9	9	0	
Housing and Technical Resources	12	10	2	<ul style="list-style-type: none"> • Roll out of procedures and guidance developed in respect of fires in council houses, including multi-storey blocks has been delayed to allow any amendments following the Scottish Government's Strengthening Fire Safety for High Rise Domestic Buildings Consultation to be incorporated into the guidance. • In respect of slips, trips and falls, Housing and Technical Resources have been asked to consider a Gallagher Bassett review of Footway Risk Management
Social Work Resources	13	11	2	<ul style="list-style-type: none"> • Two actions are awaiting guidance at a council wide level. Both actions relate to provision of footwear. The footwear provider recently changed and information regarding suitable footwear (slip ratings/sizes) is being produced. Once this has been completed, a pilot of the footwear will take place.

8.4. Work to complete the outstanding actions will be progressed via the Council's Risk Sponsors Group.

8.5. A fresh review of insurance hotspots will be carried out this year.

9. Employee Implications

9.1. Time and effort will continue to be required by Resource personnel to implement initiatives to mitigate insurance hotspots.

10. Financial Implications

- 10.1. Claims received to date, for incidents which occurred during 2018/2019, have an estimated self-insured cost of £2.113m. It is reasonable to expect this value to increase due to incidents that have taken place but for which claims have not yet been received.
- 10.2. Currently two 2018/2019 claims have estimated reserves which are likely to breach the Council's uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2018/2019, it is forecast that £2.113m will require to be met from the Council's self-insurance fund, with insurers picking up any costs above the uninsured excess limits. It is currently estimated that insurers will require to meet costs of £0.916m.
- 10.3. During 2018/2019, a total of £1.831m was paid out by the Council on all claims, irrespective of their incident date. For claims which occurred between 1 April 2018 and 31 March 2019, £0.383m was paid out by the Council. These costs include claims payments and other associated costs.
- 10.4. The total cost of loss for 2018/2019 was £3.930m. This covers claims costs, insurance premiums, and other costs for contracted insurance services. For 2017/2018, the total cost of loss was £3.659m.
- 10.5. As at 31 March 2019, the balance in the insurance fund was £3.278m, with current contributions from Resources at £2.672m per annum.
- 10.6. The balance in the insurance fund will require to be monitored to ensure adequate funds are available to meet known liabilities.

11. Other Implications (Including Environmental and Risk Issues)

- 11.1. The cost of insurance claims and premiums is linked to the Council top risk 'Reduction in external funding/income, as well as increased services demands, results in difficulties achieving savings and maintaining front line services'.
- 11.2. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self-insurance costs and insurance premiums. This risk is mitigated through the insurance hotspots action plan and other risk management initiatives implemented by Resources or through the risk management bidding process.
- 11.3. There are no implications for sustainability in terms of the information contained in this report.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 12.2. Consultation has taken place with Resource risk representatives.

Paul Manning

Executive Director (Finance and Corporate Resources)

6 November 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Values: Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Report to the Risk and Audit Scrutiny Committee – 2017/2018 Year End Insured Risks - 14 November 2018

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Appendix One

Full year claims numbers and values by Resource as at 31 March 2019

All claim types

Number of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	693	764	524	766	553
Education	43	44	34	34	35
Finance and Corporate	1	3	5	4	0
Housing and Technical	620	486	477	464	369
Social Work	104	76	84	68	75
Total	1,461	1,373	1,124	1,336	1,032
Reported at individual year end	1,241	1,257	1,001	1,252	1,032

Cost of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	£1,285,806	£850,476	£652,281	£928,459	£971,075
Education	£72,014	£210,256	£168,846	£149,852	£142,871
Finance and Corporate	£101	£1,993	£445	£5,298	£0
Housing and Technical	£1,095,093	£1,025,411	£487,605	£579,683	£753,642
Social Work	£138,519	£91,949	£118,173	£80,312	£245,714
Total	£2,591,533	£2,180,085	£1,427,350	£1,743,604	£2,113,302
Reported at individual year end	£2,344,876	£2,374,025	£1,662,027	£1,962,638	£2,167,802

Public Liability

Number of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	391	421	261	469	287
Education	16	13	8	14	11
Finance and Corporate	1	0	0	1	0
Housing and Technical	381	281	239	240	188
Social Work	7	6	4	5	4
Total	796	721	512	729	490

Cost of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	£504,846	£292,673	£303,657	£376,342	£370,579
Education	£50,797	£42,015	£14,469	£72,507	£39,069
Finance and Corporate	£101	£0	£0	£1,428	£0
Housing and Technical	£308,700	£108,847	£167,612	£158,276	£232,265
Social Work	£2,769	£0	£386	£9,727	£340
Total	£867,213	£443,535	£486,124	£618,280	£642,253

Motor

Number of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	257	283	226	239	225
Education	9	18	9	5	6
Finance and Corporate	0	3	4	1	0
Housing and Technical	184	149	193	167	138
Social Work	86	66	73	56	65
Total	536	519	505	468	434

Cost of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	£284,568	£272,251	£235,110	£345,671	£299,024
Education	£2,344	£15,982	£9,046	£2,716	£7,446
Finance and Corporate	£0	£1,993	£445	£0	£0
Housing and Technical	£75,701	£178,331	£142,553	£167,738	£143,085
Social Work	£82,107	£66,247	£94,952	£49,016	£199,263
Total	£444,720	£534,804	£482,106	£565,141	£648,818

Employer's Liability

Number of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	20	22	9	15	4
Education	3	4	7	6	7
Finance and Corporate	0	0	0	2	0
Housing and Technical	10	3	4	1	2
Social Work	4	2	5	5	5
Total	37	31	25	29	18

Cost of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	£460,905	£227,903	£102,343	£169,103	£271,388
Education	£16,932	£124,222	£94,059	£61,329	£83,151
Finance and Corporate	£0	£0	£0	£3,870	£0
Housing and Technical	£79,128	£116,326	£42,027	£30,000	£11,687
Social Work	£51,245	£12,920	£14,521	£19,388	£42,611
Total	£608,210	£481,371	£252,950	£283,690	£408,837

Property

Number of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	25	38	28	43	37
Education	15	9	10	9	11
Finance and Corporate	0	0	1	0	0
Housing and Technical	45	53	41	56	41
Social Work	7	2	2	2	1
Total	92	102	82	110	90

Cost of claims	14/15	15/16	16/17	17/18	18/19
Community and Enterprise	£35,486	£57,649	£11,171	£37,343	£30,084
Education	£1,941	£28,036	£51,273	£13,301	£13,205
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£631,564	£621,906	£135,413	£223,669	£366,605
Social Work	£2,398	£12,782	£8,314	£2,181	£3,500
Total	£671,389	£720,373	£206,171	£276,494	£413,394

Appendix Two

Comparison of claims costs and numbers for claims occurring during the last two years as at their respective year ends

All claim types

Number of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	719	553	-166	-23.09%
Education	30	35	5	16.67%
Finance and Corporate	3	0	-3	-100.00%
Housing and Technical	436	369	-67	-15.37%
Social Work	64	75	11	17.19%
Total	1,252	1,032	-220	-17.57%

Cost of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	£1,002,537	£971,075	-£31,462	-3.14%
Education	£119,036	£142,871	£23,835	20.02%
Finance and Corporate	£5,803	£0	-£5,803	-100.00%
Housing and Technical	£745,413	£753,642	£8,229	1.10%
Social Work	£89,849	£245,714	£155,865	173.47%
Total	£1,962,638	£2,113,302	£150,664	7.68%

Public liability

Number of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	430	287	-143	-33.26%
Education	12	11	-1	-8.33%
Finance and Corporate	1	0	-1	-100.00%
Housing and Technical	213	188	-25	-11.74%
Social Work	3	4	1	33.33%
Total	659	490	-169	-25.64%

Cost of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	£496,138	£370,579	-£125,559	-25.31%
Education	£58,177	£39,069	-£19,108	-32.84%
Finance and Corporate	£1,428	£0	-£1,428	-100.00%
Housing and Technical	£321,265	£232,265	-£89,000	-27.70%
Social Work	£5,753	£340	-£5,413	-94.09%
Total	£882,761	£642,253	-£240,508	-27.24%

Employer's liability

Number of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	9	4	-5	-55.56%
Education	5	7	2	40.00%
Finance and Corporate	1	0	-1	-100.00%
Housing and Technical	1	2	1	100.00%
Social Work	3	5	2	66.67%
Total	19	18	-1	-5.26%

Cost of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	£82,105	£271,388	£189,283	230.54%
Education	£35,035	£83,151	£48,116	137.34%
Finance and Corporate	£4,275	£0	£-4,275	-100.00%
Housing and Technical	£30,000	£11,687	£-18,313	-61.04%
Social Work	£19,082	£42,611	£23,529	123.30%
Total	£170,497	£408,837	£238,340	139.79%

Motor

Number of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	237	225	-12	-5.06%
Education	4	6	2	50.00%
Finance and Corporate	1	0	-1	-100.00%
Housing and Technical	166	138	-28	-16.87%
Social Work	56	65	9	16.07%
Total	464	434	-30	-6.47%

Cost of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	£376,003	£299,024	£-76,979	-20.47%
Education	£5,349	£7,446	£2,097	39.20%
Finance and Corporate	£100	£0	£-100	-100.00%
Housing and Technical	£175,447	£143,085	£-32,362	-18.45%
Social Work	£58,014	£199,263	£141,249	243.47%
Total	£614,913	£648,818	£33,905	5.51%

Property

Number of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	43	37	-6	-13.95%
Education	9	11	2	22.22%
Finance and Corporate	0	0	0	0.00%
Housing and Technical	56	41	-15	-26.79%
Social Work	2	1	-1	-50.00%
Total	110	90	-20	-18.18%

Cost of claims	2017/18 as at 31 March 2018	2018/19 as at 31 March 2019	Difference	Difference Percentage
Community and Enterprise	£48,291	£30,084	-£18,207	-37.70%
Education	£20,475	£13,205	-£7,270	-35.51%
Finance and Corporate	£0	£0	£0	0.00%
Housing and Technical	£218,701	£366,605	£147,904	67.63%
Social Work	£7,000	£3,500	-£3,500	-50.00%
Total	£294,467	£413,394	£118,927	40.39%

Appendix Three - Successful risk management fund bids

Initiative implemented	Contribution from Risk Management fund	Details/Positive effect
Body Cams – Standby Tradesmen	£8,925	<p>The initiative covered the purchase of 15 Body Cam units to provide some protection to craft operatives who can be called out to attend an emergency repair at any time during the day or night.</p> <p>The anticipated benefits and outcomes for our Operatives are as follows;</p> <ul style="list-style-type: none"> • Safeguarding employees whilst working alone • Attempt to avoid these types of attack from happening and becoming the norm • It contributes to the Council's Health and Safety vision • Mitigates against any spurious complaints from any member of the public <p>The provision of CCTV technology can ensure that if any incidents do occur, the Council can use any evidence captured at that time.</p>
Multi Stories – flat entrance doors	£20,000	<p>In some instances within our multi storey blocks, private owners have installed their own front doors to their flats, however it cannot be verified if these doors are compliant with Building Control or Fire Regulations.</p> <p>The initiative involved engaging with these private owners to install fire rated flat entrance doors. At present there is a total of 35 doors which require to be replaced across 7 of the Council's multi storey blocks.</p> <p>The risk also affects communal areas within the blocks, as this could compromise the fire escape routes within the blocks.</p> <p>There is a great reputational benefit from this initiative, given the current focus on the issue of fire safety within multi storey residential properties.</p>
Video Doorbells	£1,957	<p>This initiative aims to protect victims of doorstep crime, especially those who are elderly, are more likely to encounter financial difficulties, suffer stress related illnesses and depression, and are more likely to require specialist help and support from the Council as a result of being a victim of crime.</p> <p>The initiative will use video doorbell technology installed at vulnerable person homes to protect them from doorstep criminals. Family members will</p>

Initiative implemented	Contribution from Risk Management fund	Details/Positive effect
		remotely monitor visitors and alert the police and trading standards if they have any concerns.
Security upgrade – Golf bothies	£20,000	<p>Golf course bothies were identified as locations at high risk of break in/theft (hotspot) due to their remote locations, and the attractive plant/equipment held there.</p> <p>The Councils Security Manager carried out site visits and produced a specification for the security measures to be upgraded.</p> <p>Measures to prevent future criminality included the installation of Intruder alarm systems; door contacts and PIR sensors; very loud sounders within main building and containers; and the installation of CCTV cameras to view the approach to buildings.</p>

Report

5

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 November 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Review of Council's Top Risks/Year End Risk Management Report
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide the Risk and Audit Scrutiny Committee (RASC) with an update on the Council's top risk register following the review and consultation process
- ♦ provide an update on progress with risk management activity undertaken during 2018/2019

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the updated Council Top Risks are noted
- (2) that Resource compliance with the requirements of the Risk Management Strategy is noted
- (3) that the progress being made in delivering actions to mitigate top Council risks is noted

3. Background

- 3.1. Annual reviews of the Council's top risks are undertaken. This year's review commenced in April 2019. The consultation entailed views being sought from Heads of Service, Elected Members and Trade Unions on new areas of risk.
- 3.2. The results of the work undertaken were considered and used to inform proposals for a refined set of top risks. The feedback was used to review risk descriptions, as required.
- 3.3. An informal benchmarking exercise was undertaken to review a sample of other local authority risk registers. This review established that the current South Lanarkshire Council top risk register is reflective of risks faced by other authorities.
- 3.4. The content of this report provides the Committee with the findings of the review in respect of these risks.

4. Results of the Review of the Council's Top Risks

- 4.1. To assist the review process, the following broad criteria were recommended as a guide to concluding what constitutes a top risk:-
 - ♦ It threatens delivery of corporate objectives
 - ♦ It impacts on other services or partnerships
 - ♦ There are financial impacts or it impacts on other key priority strategies
 - ♦ There are impacts of a social or demographic context

- 4.2. On the whole, the risks from last year's review, as detailed in the report to the Committee on 6 February 2019, were still deemed to be valid.
- 4.3. The main changes to the top risks are summarised below:-
- ◆ The residual risk score for the risk 'The Council is significantly affected by the impact of the UK leaving the European Union' has been increased from seven to eight after re-evaluation. Developments continue to be monitored.
 - ◆ 'Implementation of Self Directed Support' is no longer considered a Council top risk and, as such, has been removed from the Council's top risk register. This risk remains on the Social Work Resources risk register and will continue to be managed and monitored at Resource level.
 - ◆ The 'Death or significant harm to vulnerable clients' risk has been reintroduced to the top risk register. This risk description has been now been expanded to encompass child protection, adult protection and radicalisation of members of the community (protect and deter) and has been renamed 'public protection'.
 - ◆ The residual risk score for 'Failure to achieve results and demonstrate continuous improvement, through leadership, good governance and organisational effectiveness' has been reduced from seven to four. The change in this risk score is reflective of the recent positive 'Best Value Audit' report which concluded that 'the Council demonstrates strong leadership, has a good approach to the way it manages its finances and has delivered improvements to many services'
 - ◆ Risk descriptions, scores, controls and actions have been updated as required.
- 4.4. The Council's top risk register is monitored on an ongoing basis and updates are reported annually to this Committee. Risk scores and rankings may be amended if new information comes to light that allows the position to be reassessed.
- 4.5. As a result of the above changes and taking account of revisions of risk scores, the top risk register for 2019 is attached at Appendix One.
- 4.6. Within Appendix One, categories one and two relate to high level risks. Categories three and four are medium level risks.
- 4.7. To maintain focus on higher scored risks, those risks with a low residual risk score have been excluded. These risks will continue to be monitored to ensure that they are adequately managed.

5. Horizon Scanning/Top Risk Developments

- 5.1. Despite the fact that the top risk register has not changed significantly overall, there are some areas which have been identified during this year's review which are largely covered by existing risk descriptions, but will require to be monitored and, where required, managed going forward.

- **Failure to prepare for the analogue to digital switchover telephone network**
The Government has set a 2025 deadline for all telecommunications services to be fully digital compliant. Ofcom is predicting that telecommunications providers will stop supporting the public switched telephony network (PSTN) and the Integrated Services Digital Network by 2025. Certain devices used by the Council for social care and housing, such as personal alarms, have traditionally run over the PSTN. There are currently 9,000 community alarm users in South Lanarkshire. Furthermore, the Council's Alarms Receiving Centre (ARC) based at

Pollock Avenue is not currently digitally equipped. It is anticipated that the telecommunications analogue to digital switchover may have significant costs for the Council, however, there is also the opportunity to develop a more economic and sustainable solution that could deliver efficiencies over the longer term.

- **National agenda on empowerment education**

In June 2019, the Scottish Government announced that the proposed Education Reform Bill (Governance Agenda) would be permanently shelved and replaced with an “empowered system”. With more detailed guidance to follow, the empowered system has partnership working as its main theme and includes a revised head teachers’ charter with the key aims of increasing the autonomy of head teachers in the design and delivery of the curriculum as well as increased flexibility in staffing and financial decision making around allocated resources.

The system could present a significant change in current practices and resource allocation. The system could also present a significant shift in workload and the way the Council provide supports to schools and other Education establishments.

- 5.2. Each of the risk areas mentioned above will be discussed and progressed via the appropriate Resource Risk Forums.

6. Scope and Appetite for Risk

- 6.1. The Council aims to be risk embracing, that is it will accept a tolerable level of risk in seeking service efficiencies and in agreeing control measures.
- 6.2. The level of risk facing the Council is measured both before (inherent risk) and after (residual risk) consideration of controls. The Council should never carry a high residual risk exposure as this would indicate instability but a low residual risk exposure should also be avoided as this indicates lack of innovation.
- 6.3. The Council’s ideal risk exposure should be consistent with an acceptable tolerance of:
- ◆ No more than 20 per cent of residual risks at a high level
 - ◆ Around 40 per cent to 50 per cent of residual risks at a medium level
 - ◆ Around 30 per cent to 40 per cent of residual risks at a low level
- 6.4. A comparison of the risk exposure for the Council’s top risks between 2017/2018 and 2018/2019 is detailed in Table One below. This includes low level risks outwith the top twenty risks noted in Appendix One.

Table One – Comparison of risk exposure for the Council’s top risks

Residual risk score	2017/2018		2018/2019	
	Number of risks	Percentage of risks	Number of risks	Percentage of risks
High (7, 8 or 9)	11	40.7%	10	37.0%
Medium (4, 5, or 6)	11	40.7%	12	44.5%
Low (1, 2, or 3)	5	18.6%	5	18.5%
	27	100.0%	27	100.0%

- 6.5. Despite the fact that the risk exposure is outwith the ideal risk exposure defined by the Risk Management Strategy, it has shown a slight improvement on the previous year. This risk exposure is to be expected as these are the highest level risks currently being faced by the Council.

7. Resource Compliance with the Risk Management Strategy

- 7.1. Risk Sponsors are required, on an annual basis, to assess their Resource's compliance with the Risk Management Strategy and provide supporting evidence. The information for 2018/2019 is summarised in the end of year compliance statement which is attached at Appendix Two.
- 7.2. Appendix Two shows that Resources continue to demonstrate full compliance with the Strategy, having scored 42 out of 42.
- 7.3. It is important that the current level of compliance is maintained to demonstrate effective risk management which contributes to robust service planning and improved decision making.

8. Progress Made in Delivering Actions to Control the Council's Top Risks

- 8.1. On a quarterly basis, performance in completing actions on the Council's top risk control plan is reported through IMPROVe. As at 31 March 2019, the percentage of actions completed was 100 per cent against an overall target of 90 per cent.
- 8.2. Table Three below shows the overall status as at 31 March 2019 for all actions relating to the Council's top risk register.

Table Three– Completion of top risk control actions

Action Status	Number of actions	Percentage of actions
Complete	13	100%
Outstanding as past due date	0	0
Total	13	100%

- 8.3. Actions identified during this year's review have been included within the 2019/2020 top risk control plan. The 2019/2020 risk council plan contains 26 actions.

9. Employee Implications

- 9.1. There are no direct employee implications relative to this report. There are proposed risks which are classified under the heading of employee. Where this is the case, the appropriate controls and actions have been included in the risk control cards and progress will be monitored.

10. Financial Implications

- 10.1. There are no direct financial implications associated with the Council's top risks. There are a number of proposed risks which are classified under the heading of financial. Where this is the case, the appropriate controls and actions have been included in the risk control cards and progress will be monitored.

11. Other Implications (Including Environmental and Risk Issues)

- 11.1. Failure to demonstrate that risk is actively considered and managed can not only lead to avoidable financial loss but could also adversely affect delivery of services and could affect the Council's reputation. The work carried out to identify and review the Council's top risks and to determine the risk controls and actions necessary enables the Council to manage the impact.

- 11.2. Sustainable development issues are included within the Council's top risk register through being linked directly to the Council plan objective 'make communities safer, stronger and sustainable'.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 12.2. Consultation has taken place with Heads of Service, Risk Lead Officers, Elected Members, Trade Unions and Resource Risk Sponsors.

Paul Manning

Executive Director (Finance and Corporate Resources)

28 October 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Values: Accountable, effective, efficient and transparent

Previous References

- ◆ Report to RASC – 2017/2018 Year End Risk Management Report – 14 November 2018
- ◆ Report to RASC – Review of Council's Top Risks – 6 February 2019

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Appendix One – Council top risk register 2019

Risk Category	Key risk	Inherent risk score	Residual risk score	Controls (Good, adequate, poor)
1	Reduction in Council funding/income, as well as increased service demands, results in difficulties achieving savings and maintaining front line services	9	8	Adequate
	The Council is significantly affected by the impact of the UK leaving the European Union	9	8	Adequate
	Failure to adequately prepare for the national expansion in early years education and child care provision	9	8	Adequate
2	Potential liability arising from claims of historic abuse	7	7	Adequate
	Failure to maintain the required pupil/teacher ratio	9	7	Adequate
	Information Governance not subject to adequate control	9	7	Adequate
	Fraud, theft, organised crime and cyber attacks	9	7	Adequate
	Failure to work with key partners to achieve the outcomes of the Community Plan	9	7	Adequate
	The Council fails to deliver the objectives set out in the IJB Strategic Commissioning Plan	9	7	Adequate
	Adverse weather	9	7	Good
3	Procurement practice and management of contracts	8	5	Good
	Failure to meet the Council's sustainable development and climate change objectives	9	5	Good
	IT Development and functionality does not meet service requirements	7	5	Adequate
	Lack of capacity and skills to meet increased service demands	8	5	Good
	Failure to fulfil emergency response commitments befitting the Council's status as a Category One (emergency) responder.	9	5	Adequate
	Failure to deliver City Deal projects and realise anticipated economic benefits	9	5	Good
	Public Protection	9	5	Good
4	Failure to achieve results and demonstrate continuous improvement, through leadership, good governance and organisational effectiveness	9	4	Good
	Death or injury to employees, service users or members of the public affected by Council operations	9	4	Good
	New and amended legislation	9	4	Adequate

Appendix Two

2018/2019 Compliance with Risk Management strategic requirements

Key

Score 3= Up to date and in line with requirement

Score 2= Work in progress

Score 1= Needs addressed

Requirement from Risk Management strategy	Community and Enterprise Resources	Education Resources	Finance and Corporate Resources	Housing and Technical Resources	Social Work Resources
Risk registers are updated on an annual basis	3	3	3	3	3
Delivery of Resource risk control actions and control actions for top risks lead by the Resource are progressed.	3	3	3	3	3
The risk register and risk control plan are approved annually by the Resource Management Team	3	3	3	3	3
The risk register is presented for noting; and assurance of delivery of actions is given to the Resource Committee on an annual basis.	3	3	3	3	3
Information held on Figtree reflects the latest Resource Risk Register and Risk Control Plan	3	3	3	3	3
The Council's agreed risk profile and risk tolerance level is adopted.	3	3	3	3	3
Risk evaluations are undertaken prior to the commencement of major projects, partnerships and organisational changes	3	3	3	3	3
Formal risk sharing agreements for major partnerships and contracts are in place	3	3	3	3	3
Major decisions are transparent and clearly show the following key elements: <ul style="list-style-type: none"> • Full cost over life of proposal; • Funding source; • Savings or efficiencies; • Other benefits; • Associated risks and how they will be managed. 	3	3	3	3	3
Elected members are kept informed of risks by using the "Other Implications" section of the Committee report template. This section should include: <ul style="list-style-type: none"> • The risks involved with the report's recommendations; • The potential positive and negative consequences; • How these risks are currently being managed (existing controls) or how they will be managed going forward (additional actions); • Link to risks on the Council's top risk register. 	3	3	3	3	3
Assurance is gained from contractors and sub-contractors, in line with procurement processes, of their adoption of recommended risk management practices, particularly that adequate insurance cover, safe health and safety practices, and equalities, sustainable development, business continuity and scrutiny procedures are in place.	3	3	3	3	3
Regular Resource Risk Management Group meetings (or alternative where risk management is a standing agenda item).	3	3	3	3	3
Liaison with Service Planners to ensure that risks associated with Council and Resource plans are identified and assessed; and that appropriate plans are put in place to manage these risks.	3	3	3	3	3
Management of insurance hotspots and required mitigating actions	3	3	3	3	3
Total	42	42	42	42	42
Percentage compliance	100%	100%	100%	100%	100%

Report

6

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **27 November 2019**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Actuarial Review of the Council's Self Insurance Fund**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an update on the financial health of South Lanarkshire Council's self-insurance fund, following an interim actuarial review.

2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendation(s):-

- (1) that the conclusions of the actuarial report be noted and that it be noted that further funding requirements will be considered as part of future revenue budgets; and
- (2) it be noted that the position for pre 1996 liabilities will be monitored and managed as required.

3. Background

- 3.1. In common with other Scottish authorities, South Lanarkshire Council operates a self-insurance fund to pay for purchased insurance cover, the settlement of excesses for liability, motor and property claims against the Council, other self-insured losses and the cost of administering an in-house risk management section.
- 3.2. The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) advises that regular actuarial reviews should be undertaken on insurance funds. The last full actuarial review of the Council's insurance fund took place in 2017.
- 3.3. At the time of the last full review, excluding pre fund liabilities, the fund was in a neutral position assuming wind up at 31 March 2017, that is the balance of the fund was sufficient to meet known and yet to be intimated claims from past insurance policy years (incidents on or before the valuation date of 31 March 2017), and no further action to increase the balance of the insurance fund was required.
- 3.4. At the time of the last review, the actuary estimated pre fund liabilities (net of the Municipal Mutual Insurance (MMI) provision) at £4m. This covers the Council's liabilities resulting from its predecessor authorities for asbestos and abuse claims where insurance cover does not exist, and for any future MMI levies. Given uncertainties around potential abuse claims and disease claims, as well as the long term nature of such potential claims, a decision was taken to consider any additional funding requirements for pre fund liabilities in year, i.e. no additional funding would be added to the insurance fund in advance.

4. Actuarial Review of Insurance Fund

- 4.1. The main aims of the interim actuarial review of the Council's self-insurance fund is to undertake a financial health check between full reviews, to estimate future insurance claim settlement costs of known and yet to be intimated claims from past insurance policy years (incidents on or before the valuation date of 31 March 2019) against the fund balance as at 31 March 2019 and to estimate annual contribution rates required for the overall fund, to ensure that the balance of the fund does not fall into deficit.
- 4.2. Following a Quick Quote exercise, HJC Actuarial Consulting Limited were appointed to undertake a full actuarial review as at 31 March 2017 and an interim review as at 31 March 2019.
- 4.3. Actuarial reviews are only concerned with claims payments from the insurance fund, those that are already known as well as those incidents that have been incurred but have not yet been reported to the Council. All amounts used in the review take into account any potential recoveries from the Council's insurer.
- 4.4. The report focuses on two distinct areas, namely post 1996 liabilities and pre 1996 liabilities. Pre-1996 (legacy) liabilities arise from authorities who were predecessors to SLC, such as Lanark County Council and Strathclyde Regional Council. They do not arise from the current SLC authority, which was formed in 1996.

5. Conclusions from Actuarial Review

5.1. Post 1996 liabilities

The actuary's overall conclusions and recommendations as at 31 March 2019 were:-

- ♦ That the level of estimated future claim payments since 2005 has remained broadly stable at each review carried out, with this amount being in the region of £3m to £4m. This is a positive position, given that uninsured excess limits have increased over recent years. The excess for employers' liability and public liability claims increased from £100,000 to £250,000 on 1 April 2017 and the excess for motor insurance claims increased from £100,000 to £150,000 on 1 April 2018.
- ♦ That the estimated value of future claim payments from the fund is £3.2m. This is the same value noted at the last review and the actuary has taken into account the increased insurance excesses in these results.
- ♦ That the fund is currently in a neutral position for post 1996 claims costs; that is the balance of the insurance fund is currently sufficient to meet all estimated post 1996 claim liabilities.
- ♦ The current level of annual Resource contributions (for claims below the excesses) at £2.7m is in line with the actuary's recommendations, albeit as noted at 4.3, the actuary's report only covers claims costs and not other costs which impact on the insurance fund such as insurance premiums and the cost of administering the in-house risk management section.

5.2. Pre 1996 liabilities

- 5.2.1. There has been no new movement in terms of further levies, in respect of Municipal Mutual Insurance (MMI) since the last review. A provision of £0.740m currently exists within the Council's balance sheet to meet the cost of any future levies.
- 5.2.2. The Scottish Child Abuse Inquiry is looking at the abuse of children in care. It was set up on 1 October 2015. The Inquiry will raise public awareness of the abuse of children in care. It is assumed that it will be at least another year before the findings of the inquiry are reported.

- 5.2.3. The Limitation (Childhood Abuse) (Scotland) Act 2017 came into effect on 4 October 2017. The Act removes the three year limitation period to intimate abuse claims. For those whose abuse occurred before 26 September 1964, the law of prescription will continue to apply and there will be no right to raise a civil action for damages for personal injury.
- 5.2.4. It is anticipated that the Council will receive a number of further claims for historic childhood abuse as a result of publicity surrounding the Inquiry and the introduction of the new Act.
- 5.2.5. Furthermore, a Supreme Court decision deemed that Nottinghamshire County Council was vicariously liable for the actions of their foster families. This follows a claim pursued by an individual who suffered both physical and sexual abuse whilst in the care of two separate foster families. The outcome of this case could have significant implications for local authorities.
- 5.2.6. Insurers have advised that they are broadly in agreement that cover will be provided for abuse claims, but that each case will be dealt with on its own merits and subject to the terms and conditions of the policy. The financial impact on the Council for potential abuse claims will, therefore, depend upon insurers' interpretation of policy wording.
- 5.2.7. For the periods where the Council remains unable to prove that insurance cover existed, the Council will continue to self-fund these claims.
- 5.2.8. Based on information currently available, a contingent liability for historic abuse claims is included within the Council's 2019 Annual Accounts. This position will be reviewed on an annual basis.
- 5.2.9. The actuary has given consideration to the recent changes to legislation, case law and levels of insurance cover available within the pre 1996 liabilities. The review also studied details of all known abuse claims against the Council.

6. Further Financial Obligations

- 6.1. As stated at 4.1, the actuarial review only covers the cost of insurance claim settlements and does not give consideration to the cost of insurance premiums or other miscellaneous charges to the self-insurance fund.
- 6.2. Aside from the cost of self-insured insurance claim settlements, insurance premiums is the most significant other expenditure to the self-insurance fund. For 2019/2020, insurance premiums and other insurance related fees will total £1.7m.
- 6.3. Further financial pressures on the insurance fund may arise from increases in insurance premiums. Premium levels can be influenced by market conditions, the Council's claims experience, increases in Insurance Premium Tax (IPT) and other Government policy decisions such as fluctuations in the Ogden Discount rate which may result in insurers applying a levy to premiums to counteract the increased settlement costs of significant injury claims. The Ogden discount rate is used by the Courts when calculating compensation in personal injury cases.

7. Employee Implications

- 7.1. There are no employee implications associated with this report.

8. Financial Implications

- 8.1. In respect of claims costs only, Table One below shows a summary of the insurance fund's estimated financial position as at 31 March 2019.

Table One - Insurance Fund Summary Claims Costs – Post 1996 Liabilities

Fund Claims	£m
Fund Balance as at 31 March 2019	3.3
Less estimated future claims payments	(3.2)
Estimated fund surplus/(deficit)	0.1

Position outlined in table one, assumes wind up of the insurance fund as at 31 March 2019

- 8.2. Based on the findings of the Actuarial Review, per 5.1, Table One shows that there is adequate funding to meet the cost of all outstanding claims for incidents occurring between 1 April 1996 and 31 March 2019, assuming wind up of the fund as at 31 March 2019, with a surplus of £0.1m.
- 8.3. As noted at 4.4, a review into pre 1996 liabilities was also undertaken. This covered the Council's liabilities resulting from its predecessor authorities for asbestos and abuse claims where insurance cover does not exist, and for any future MMI levies.
- 8.4. Table Two below shows a summary of the Council's pre 1996 liabilities resulting from predecessor authorities as at 31 March 2019.

Table Two – Pre 1996 liabilities (unfunded)

Pre-fund liabilities (predecessor authorities)	£m
MMI provision (to cover levies)	0.8
Estimated MMI/Pre 1996 claims	(2.8)
Estimated Historic abuse claims	(2.0)
Overall pre 1996 liabilities surplus/(deficit)	(4.0)

Figures noted in respect of pre 1996 liabilities and historic abuse are broad outlined estimates based upon research and findings of the review

- 8.5. It is envisaged that longer term liabilities for disease claims will take up to 40 years to diminish, with the majority of any potential historic abuse claims being intimated broadly over the next 10 years. Further funds are likely to be required during this period to meet these potential claims or liabilities may turn out to be materially lower, given the uncertainty arising from projecting over such long time periods, for incidents (exposures to asbestos, child abuse) occurring before the valuation date of 31 March 2019.
- 8.6. These liabilities (except for the £0.8m MMI provision) are currently unfunded. The current forecast deficit of £4m above broadly equates to an annual in year cash strain of £0.1m per annum, over 40 years, therefore, is considered immaterial to the actuary, who is content with our reasoning for not funding these highly uncertain liabilities, subject to the proviso in 8.11 below, i.e. regular monitoring, by an actuary of the Council's choice, experienced in forecasting child abuse claims and the complex insurance histories and insurer disputes which can arise. There is also uncertainty over the timing and value of liabilities which may arise in any one financial year.
- 8.7. As referenced at 5.2.6, insurance cover may reduce the impact on the insurance fund for abuse claims. The actuary estimates that these potential recoveries could reduce pre 1996 liabilities by around £0.500m, but has made no allowance in the results for any such recoveries, due to the untested nature of the policy wordings.

- 8.8. Looking at the wider picture with the insurance fund (excluding pre fund liabilities), factoring in non-claims spend, Table Three below summarises the closing position as at 31 March 2019 and estimated position for the following three years.

Table Three – Insurance Fund Projections All Costs (Post 96)

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Total Income	-	4.1	4.0	4.0
Total Expenditure	-	5.5	5.7	5.7
Closing Balance	3.3	1.9	0.2	(1.5)

- 8.9. It is, therefore, envisaged that the fund balance will reduce on average by around £1.7m per annum over the next three years. There is no requirement at present to increase contributions to the insurance fund for post 1996 liabilities. However, in light of the decreasing fund balance, it is envisaged that the fund will be in deficit by 2021/22, and that this will be considered in the preparation of future revenue budgets.
- 8.10. In order to facilitate a review of the cost of operating the self-insurance fund, a terms of reference for a service review will be prepared to assess its operation.
- 8.11. The position with pre 1996 liabilities and the overall balance of the self-insurance fund will be closely monitored and any additional funding requirements will be managed as required. A deficit position may, however, arise earlier if claim values are higher than expected.

9. Other Implications (Including Environmental and Risk Issues)

- 9.1. There is the risk that, in future years, there may not be an adequate balance within the insurance fund to meet liabilities. As Council funds are facing various pressures due to the current climate, there may not be sufficient funding available to top up the insurance fund if this is required. It is, therefore, necessary that the Council takes steps to protect the current funds and to restrain any future insurance premium increases by aiming to reduce the number and cost of claims intimated against the Council.
- 9.2. A consultation on a Financial Redress Scheme for historical abuse is currently being undertaken by the Scottish Government, with a closing date of 25 November 2019. Proposals indicate that Local Authorities will require to provide a financial contribution to the scheme. The financial implications of this, if any, are unknown at present.
- 9.3. There are no implications for sustainability in terms of the information contained in this report.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. There are no equalities issues related to the proposals in this report.
- 10.2. There was no requirement to undertake any consultation other than with John Birkenhead of HJC Actuarial Consulting Limited, in terms of the information contained within this report.

Paul Manning
Executive Director (Finance and Corporate Resources)

28 October 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Value: Accountable, effective, efficient and transparent

Previous References

- ◆ Report to Risk and Audit Scrutiny Forum – 13 June 2018 – Actuarial Review of the Council's Self Insurance Fund

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Report

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Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **27 November 2019**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Forward Programme for Future Meetings**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meetings of the Risk and Audit Scrutiny Committee to May 2020
- ◆ invite members to suggest topics for inclusion in the Committee's forward programme

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the report and the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to May 2020, attached as an appendix to the report, be noted.

3. Background

3.1 As part of a range of improvement measures introduced as a result of Audit Scotland's report on the Audit of Best Value and Community Planning (2009), an Action Plan was prepared. One of the actions was to include, as a standard agenda item, a list of items proposed for consideration at subsequent meetings of this Committee to provide an opportunity for members to inform future agendas. The outline forward programme for is attached, for members' information, as an appendix to the report.

4. Employee Implications

4.1. There are no employee implications.

5. Financial Implications

5.1. There are no financial implications.

6. Other Implications (Including Environmental and Risk Issues)

6.1. There are no risk or sustainability issues associated with the content of this report.

7. Equality Impact Assessment and Consultation Arrangements

7.1. The report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

7.2 There was no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning
Executive Director (Finance and Corporate Resources)

6 November 2019

Link(s) to Council Values/Objectives/Ambitions

Value – Accountable, Effective, Efficient and Transparent

Previous References

Executive Committee 8 July 2009

List of Background Papers

Audit Scotland Audit of Best Value and Community Planning

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO MAY 2020

Meeting Date	Item	Responsibility
19 February 2020	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. Good Governance 2019/2020 Quarter 2 Progress Report	Head of Administration and Legal Services
	3. Performance and Review Scrutiny Forum Annual Update	Head of Corporate Communications and Strategy
	4. Annual Audit Plan	External Auditor
	5. Corporate Governance – Review of the Adequacy of Internal Audit	External Auditor
	6. Annual Review of the Local Code of Good Governance	Head of Administration and Legal Services
	7. Six Monthly Fraud Report to 30 September 2019	Audit and Compliance Manager
6 May 2020	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. 2020/2021 Internal Audit Plan	Audit and Compliance Manager
	3. PSIAS Action Plan/EQA2 Update	Audit and Compliance Manager

N.B:-. Audit Scotland national studies and reviews will appear as a recurring item but the frequency and subject matter will vary according to their programme.

