Report

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**

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:-
Craig Fergusson, Head of Finance (Transactions)
Ext: 4951 (Tel: 01698 454951)
E-mail: craig.fergusson@southlanarkshire.gov.uk

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
	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
2	Adverse weather	9	7	Good
	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
3	Public Protection	9	5	Good
	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
4	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: • 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: • 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%**