

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	9 December 2020
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 2019/2020

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 May 2020. The consultation entailed views being sought from Heads of Service, Elected Members and Trade Unions on new areas of risk. At the same time, an exercise was undertaken to capture risk implications stemming from the Covid-19 global pandemic.

3.2. The results of the work undertaken was 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. The content of this report provides the RASC 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 RASC on 27 November 2019 were still deemed to be valid, with the majority of these risks having been impacted upon by the Covid-19 pandemic. Further details of these impacts are noted at section 8.
- 4.3. The main changes to the top risks are summarised below:-
- ◆ a new risk has been added to the risk register in respect of 'The Covid-19 pandemic'
 - ◆ a new risk has been added to the risk register in respect of 'Failure to evidence progress against Social Work Care Inspectorate Requirements'
 - ◆ all risks have been rescored in line with the revised 5x5 risk scoring matrix. The scoring matrix was changed from a 3x3 matrix, following a review of the Council's Risk Management Strategy at the start of the year. The revised 5x5 scoring matrix and definitions for likelihood and impact is shown at Appendix One.
 - ◆ risk descriptions, controls and actions have been updated, as required, on individual risks, following discussion with risk owners.
- 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 2020 is attached at Appendix Two.
- 4.6. Within Appendix Two, categories one and two relate to very high and high level risks. To maintain focus on the higher scored risks, those risks with a medium or low residual risk score have been excluded. These risks will continue to be monitored to ensure that they are adequately managed.

5. New Risks Added to the Risk Register

5.1. Covid-19 Global Pandemic

- 5.1.1. A new risk strategic risk on the global pandemic has been added as the standout risk on the Council's 2020 top risk register. The risk has been framed around the adequacy of the Council's response to the pandemic; maintaining critical services; delivering emergency response commitments as a Category One Responder; and protecting wellbeing of employees and service users as far as reasonably practicable. Responding to the pandemic impacts upon on everything else the Council does.
- 5.1.2. The main impacts facing the Council, our partners, local businesses and the community are captured under seven main risk headings:
- impact on service delivery
 - health and safety
 - wellbeing of Council employees
 - effect on members of the public
 - effect on local businesses
 - financial
 - emergency response commitments as a category one responder
- 5.1.3. The Council's response to the pandemic has been largely driven through resilience arrangements, maintaining service provision where possible, with support being provided to businesses and vulnerable members of the community.
- 5.1.4. The implications of Covid-19 and the Council's response to it is an ever-changing situation, with the risk and controls being kept under review and updated as required.

- 5.1.5. The Council continues to monitor national guidance; maintains ongoing resilience arrangements; and implements further measures as and when required in response to the pandemic.
- 5.1.6. In anticipation of the nation's emergence from the current pandemic situation, all Council Resources have been making plans for short and long term recovery. It is important to recognise that these plans are informed by and dependent on guidance issued by the Scottish Government. As such, in developing these plans, consideration requires to be given to staff and their wellbeing, and appropriate use of assets and finances.
- 5.1.7. At a corporate level, a strategic recovery plan and the establishment of a Recovery Board has been approved by the Executive Committee. The recovery plan focuses on four workstreams, namely:
- Council – organisational recovery
 - Support for business recovery
 - Health and Social Care Partnership – learning, influence on service wide redesign
 - Community and voluntary organisations – how to retain the contribution from these groups
- 5.1.8. Implementation of recovery plans is subject to Government guidance.

5.2. Social Work Care Inspectorate Requirements

- 5.2.1. A number of areas for improvement have been identified by the Care Inspectorate in respect of specific elements of Social Work Registered Care at Home Services. Given the challenges of achieving these improvement actions, a new risk has been added to the Council's top risk register in respect of 'Failure to evidence sufficient progress against Social Work Care Inspectorate requirements'. Service delivery in this area has been further challenged by Covid-19.
- 5.2.2. To address this risk and to respond to the Care Inspectorate Improvement Notice, a transformation and improvement programme is underway to address in the short term the specific requirements and also take forward medium and longer term actions to remodel the entire service and improve governance arrangements, with actions being progressed in respect of training, recruitment, employee support, service delivery and communications.
- 5.2.3. A voluntary moratorium was in place, with no new service users in Hamilton, Rutherglen and Cambuslang areas for Council provided services. The moratorium for Rutherglen and Cambuslang was lifted on 31 August 2020, with services recommencing incrementally.
- 5.2.4. The Hamilton service was subject to inspection during the week of 5 October 2020. Following a rigorous inspection process, the Service has received exceptionally positive feedback. Inspectors highlighted the considerable progress that had been achieved by the Service and assessed the Service as having met all the requirements of the Improvement Notice and have subsequently agreed to the lifting of the notice. As a result of this progress, agreement was reached to lift the moratorium in the Hamilton service from 16 November 2020.
- 5.2.5. Good progress has been made within these services, but they remain on an improvement journey. Whilst the level of risk to both service users and the Council has reduced, the overall risk rating will only be formally reassessed after the findings of

the recent Rutherglen Service inspection have been received and reviewed. Future progress will continue to be monitored and actions taken as appropriate, with updates provided to the Social Work Committee.

6. Horizon scanning/Top Risk Developments

6.1. IT Developments

6.1.1. There are two forthcoming IT developments that present a risk to service delivery for the Council. The first of these falls under the Council's IT and Digital Strategy, where plans are in place to move its computing estate to the cloud. The first stage of this programme is to exit from the Caird Data Centre by the end of 2021 and migrate all Council servers and storage to a hybrid cloud solution. The timeline is aligned with the sale of the University of the West of Scotland (UWS) land for redevelopment and IT Services will be working towards completing this move by December 2021.

6.1.2. The second development area is the transition from the current analogue community alarm service to a digital solution (A2D). There is a risk that the Council is not adequately prepared to achieve this transition within the pre-determined timescale. Telecommunication companies have stated that they will no longer be supporting the Public Switched Telephone Network (PSTN) and that they will be switching off this service by 2025. South Lanarkshire Council's community alarm service is delivered over the PSTN and there are currently more than 10,000 community alarm service users. A strategic Project Review Board has been established to oversee and guide the A2D project in the successful transition to a digital solution.

6.2. Brexit/Concurrent Risks

6.2.1. The UK left the European Union political structure on 31 January 2020 and entered a transition period that is due to run until the end of the calendar year.

6.2.2. Negotiations have been ongoing between the EU and the UK Government since June 2017 to agree the process and principles for the UK leaving the EU. There remains a risk that negotiations cease or fail to conclude with an agreement before the 31 December 2020 deadline.

6.2.3. If a deal is not agreed, there could be significant impacts on the Council which would require to be managed effectively. Areas could include:-

- funding and finance (e.g. Economic changes; EU Funding; increased costs)
- workforce and employment (e.g. loss of available workforce; skills shortages)
- procurement and trade (e.g. Availability of imported goods; supplier bases affected)
- legislation (e.g. Changes in laws covering the environment; procurement)
- support to businesses located within the South Lanarkshire area (Economic Development)

6.2.4. The UK Government has proposals in place to replace European Regional Development Fund (ERDF) and the European Social Fund (ESF) with a Shared Prosperity Fund, however, no details are currently available regarding the levels of funding accessible to the Council and how it can be used.

6.2.5. Current projects that are funded from EU monies may also be affected, resulting in personnel implications, if these projects come to an end.

6.2.6. The issue of concurrent risks is an area which the Council and its partners may well have to manage in the forthcoming months.

6.3. Impact of Covid-19 on Other Top Risks

- 6.3.1. The Covid-19 pandemic has impacted on everything that the Council does, including the way we deliver our services. Resources in some instances have been diverted to provision of some new services which the Council has required to provide in response to the pandemic. Consequently, a number of current top risks have been affected by the pandemic. Where required, additional controls have been implemented to manage these risks. Two significant examples relate to funding and IT developments.
- 6.3.2. Due to the ongoing Covid-19 global pandemic, the Council are experiencing increased significant levels of expenditure to maintain front line services, provide appropriate PPE to key workers, to ensure the wellbeing of all of the South Lanarkshire community, and to prepare for the recovery from the pandemic. Discussions continue between Local Government and the Scottish Government on a series of financial flexibilities which could assist councils in meeting funding shortfalls in respect of the additional costs of Covid-19. This also leads to diverting resources away from other areas.
- 6.3.3. A sudden and significant increased demand for agile working stemmed from the pandemic. To date, significant progress has been made in this respect with IT Services working towards full deployment of Windows 10 laptops; Office 365; and Soft Phones by the end of the current financial year, to progress agile working across the Council.
- 6.3.4. Each of the top risks that have been affected by the pandemic will be monitored via the appropriate Resource Risk Forums.

7. Scope and Appetite for Risk

- 7.1. 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.
- 7.2. 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 very 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.
- 7.3. The Council's universal risk tolerance levels were recently updated as part of the review of the risk management strategy this year, with the ideal risk profile defined as:-
- ◆ no more than 10 per cent of residual risks at a very high level
 - ◆ no more than 15 per cent of risks at a high level
 - ◆ around 50 to 60 per cent of residual risks at a medium level
 - ◆ no more than 30 per cent of residual risks at a low level
- 7.4. Table Three below shows the top risks heat map, i.e. it details the total number of risks for each individual risk score. Table Four below notes the overall risk profile for the top risks.

Table Three – Top Risks Heat Map

Likelihood	5 Almost Certain			1	3	
	4 Likely			3		1
	3 Possible			4	4	
	2 Unlikely			2	3	
	1 Rare				1	
		1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
		Impact				

Table Four –Top Risks Risk Profile

Risk Category	Risk Rating	Number of risks	Percentage of risks
1	Very high	5	23%
2	High	14	63%
3	Medium	3	14%
4	Low	0	0%

7.5. Despite the fact that the profile noted in Table Four is outwith the ideal universal risk exposure defined by the Risk Management Strategy, this risk exposure is reasonable as these are the highest level risks currently being faced by the Council and, as per the examples provided at section 6.3, a number of the top risks scores have increased significantly this year as a result of the effects of Covid-19.

7.6. A number of risks that were noted as being at a low level at last year's review are no longer included within the risk profile, as these risks are now contained within the relevant Resource risk registers only.

8. Resource Compliance with the Risk Management Strategy

8.1. 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 2019/2020 is summarised in the end of year compliance statement which is attached at Appendix Three.

8.2. Appendix Three shows that Resources continue to demonstrate full compliance with the Strategy, having scored 42 out of 42.

8.3. 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.

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

9.1. On a quarterly basis, performance in completing actions on the Council's top risk control plan is monitored. As at 31 March 2020, the percentage of actions completed was 100 per cent against an overall target of 90 per cent.

9.2. Table Five below shows the overall status as at 31 March 2020 for all actions relating to the Council's top risk register.

Table Five – Completion of top risk control actions

Action Status	Number of actions	Percentage of actions
Complete	16	100%
Outstanding as past due date	0	0
Total	16	100%

9.3. Actions identified during this year's review have been included within the 2020/2021 top risk control plan. This contains a total of 26 actions.

10. Employee Implications

- 10.1. 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.

11. Financial Implications

- 11.1. 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, including additional costs stemming from Covid-19. Where this is the case, the appropriate controls and actions have been included in the risk control cards and progress will be monitored.

12 Climate Change, Sustainability and Environmental Implications

- 12.1 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. Other Implications

- 12.1. 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 risks controls and actions necessary enables the Council to manage the impact.

13. Equality Impact Assessment and Consultation Arrangements

- 13.1. 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.
- 13.2. 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)

9 November 2020

Link(s) to Council Values /Objectives/Ambitions

- ◆ Values: Accountable, effective, efficient and transparent

Previous References

- ◆ Report to RASC – Review of Council's Top Risks/Year End Risk Management Report – 27 November 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 – 2020 Risk scoring matrix and likelihood and impact definitions

Likelihood

Score	1	2	3	4	5
Description	Rare	Unlikely	Possible	Likely	Almost certain
Likelihood of occurrence	1 in 10 years	1 in 3 years	1 in 2 years	Annually	Monthly
Probability of occurrence	The event may occur in certain circumstances	The event could occur	The event may occur	The event will probably occur	The event is expected to occur or occurs regularly

Impact

	Reputation	Financial	Service delivery/ Time to recover	Compliance	Safety
1 Negligible	Public concern restricted to local complaints	<£50,000 per annum	No impact to service quality; limited disruption to operations.	No external interest	Minor injury – no lost time
2 Minor	Minor adverse local/public/media attention and complaints	£50,000-£250,000 per annum	Minor impact to service quality; minor service standards are not met; short term	Very minor attention from legislative/regulatory body	Minor injury – resulting in lost time
3 Moderate	Adverse national media Public attention	£250,000 to £500,000 per annum	Significant fall in service quality; major partnership relationships strained; serious disruption in service standards	Short-term attention from legislative/regulatory body	Major injury or ill health resulting in lost time
4 Major	Serious negative national or regional criticism	£500,000 to £1million per annum	Major impact to service delivery; multiple service standards are not met; long term disruption to operations; multiple partnerships affected	Medium-term attention from legislative/regulatory body	Fatality; Or injuries to several people
5 Catastrophic	Prolonged international, regional and national condemnation	>£1million per annum	Catastrophic fail in service quality and key service standards are not met; long term catastrophic interruption to operations; several major partnerships are affected	National impact with rapid intervention of legislative/regulatory body	Multiple fatalities; Or injuries to large number of people

The assessments for impact and likelihood combine to provide an overall inherent risk score on the scale of between 1 and 25, using the Council's recognised risk matrix.

Risk matrix

Likelihood	5 Almost Certain	5	10	15	20	25
	4 Likely	4	8	12	16	20
	3 Possible	3	6	9	12	15
	2 Unlikely	2	4	6	8	10
	1 Rare	1	2	3	4	5
		1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
		Impact				

The risk score is calculated as follows:

Likelihood score x Impact score = Risk Score

Appendix Two – Council top risk register 2020

Risk Category	Key risk	Inherent Risk Score	Residual Risk Score	Controls (Good, adequate, poor)
1 Very High (15-25)	The Council does not provide an adequate response to the pandemic; maintaining critical services; delivering emergency response commitments as a Category One Responder; and protecting wellbeing of employees and service users as far as reasonably practicable. Responding to the pandemic will impact on everything else the Council does.	25	20	Good
	Reduction in Council funding/income, as well as increased service demands, results in difficulties achieving savings and maintaining front line services	25	20	Adequate
	The Council is significantly affected by the impact of the UK leaving the European Union	25	20	Adequate
	Failure to evidence progress against Social Work Care Inspectorate Requirements	25	20	Adequate
	Failure to meet the Council's sustainable development and climate change objectives	20	15	Good
2 High (8-12)	Public Protection	16	12	Good
	Failure to fulfil emergency response commitments befitting the Council's status as a Category One (emergency) responder.	25	12	Adequate
	Potential liability arising from claims of historic abuse	16	12	Good
	Fraud, theft, organised crime and cyber attacks	20	12	Adequate
	Failure to adequately prepare for the national expansion in early years education and child care provision	16	12	Adequate
	Information Governance not subject to adequate control	20	12	Adequate
	The Council fails to evidence delivery of actions necessary to achieve the objectives set out in the IJB Strategic Commissioning Plan	16	12	Adequate

	Procurement practice and management of contracts	25	9	Good
	IT Development and functionality does not meet service requirements	20	9	Adequate
	Lack of capacity and skills to meet increased service demands	20	9	Good
	Adverse weather	16	9	Good
	Death or injury to employees, service users or members of the public affected by Council operations	20	8	Good
	Failure to maintain the required pupil/teacher ratio	20	8	Good
	Failure to achieve the outcomes of the Community Plan	20	8	Adequate

Note: The new risk scoring methodology was implemented this year, which carries a maximum risk score of 25, with the maximum risk score under the previous matrix being 9.

Appendix Three - 2020/2021 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%