

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	6 February 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Review of the Council's Top Risks
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide the Risk and Audit Scrutiny Committee with an update on the Council's top risk register following the review and consultation process

2. Recommendation(s)

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

- (1) that the updated Council Top Risks are noted
- (2) that the risks profile is noted

3. Background

3.1. Annual reviews of the Council's top risks are undertaken. This year's review commenced in May 2018. The consultation entailed views being sought from Heads of Service, Elected Members and Trade Unions on new areas of risk. Risk control cards were updated where required.

3.2. The results of the work undertaken has now been considered and used to help 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 Risk and Audit Scrutiny Committee with 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 Risk and Audit Scrutiny Forum on 24 January 2018, were still deemed to be valid.

- 4.3. The main changes to the top risks are summarised below:
- ◆ New top risks included in the top twenty in respect of:-
 - Failure to adequately prepare for national expansion in early years education and childcare provision
 - The Council is significantly affected by the impact of the UK leaving the European Union
 - ◆ 'Financial strategy not informed by service planning' and 'Failure to deliver the Council's "Homes +" Council House new build programme' have dropped out of the Council's top twenty risks
 - ◆ Updated risk descriptions
- 4.4. The Council's top risk register is monitored on an ongoing basis. Risk scores 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 to risk scores, the top risk register for 2018 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 the 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. New Top Risks

5.1. Failure to adequately prepare for national expansion in early years education and childcare provision

- 5.1.1. The Scottish Government is committed to increasing the Early Learning and Childcare (ELC) entitlement to 1140 hours for all 3 and 4 year olds in addition to eligible 2 year olds by the end of 2020.
- 5.1.2. The Council is likely to face challenges in acquiring the necessary physical assets and staffing levels. A failure to meet these levels could affect both quality and availability of services for service users in South Lanarkshire.
- 5.1.3. This has been added as a category one risk in the Council's top risk register.
- 5.1.4. Measures to mitigate this risk include well established workforce planning; large scale recruitment campaigns underway for Early Years workers; a formal review of available premises and other physical assets; training in place for new and transferring employees; and ongoing discussion with partner providers to increase private and third sector partnership.

5.2. The Council is significantly affected by the impact of the UK leaving the European Union

- 5.2.1. In recognition that Brexit is considered a strategic risk to the Council, detailed work has recently been completed to look at the potential implications for the Council, these include issues associated with:
- Funding and finance
 - Workforce and employment
 - Procurement and trade
 - Legislation
 - Support to businesses located within the South Lanarkshire area

- 5.2.2. This has been added as a category two risk in the Council's top risk register.
- 5.2.3. The Council will continue to closely monitor Brexit negotiations with contingency arrangements being implemented where required.

6. Top Risk Comments/Developments

- 6.1. As part of the consultation, a number of new risk areas have been highlighted which are covered by existing strategic risk descriptions. A summary of these and commentary on developments with current top risks are detailed below. Where a new risk area has been noted, the corresponding top risk is shown in brackets.

6.2. Compliance with the New General Data Protection Regulations (Information Governance not subject to adequate control)

- 6.2.1. The new General Data Protection Regulations (GDPR) came into effect on 25 May 2018 and a significant amount of work has been undertaken throughout the Council in preparation for the new regulations. A GDPR action plan is being progressed, with controls in place including an appointed Data Protection Officer; approved Information Security Policy; completed information audit; and development of training being undertaken.
- 6.2.2. The key control around this risk is the ongoing development and implementation of the new corporate File Plan system, which will provide a greater level of control over the management of all data held by the Council.
- 6.2.3. Further work is ongoing to mitigate the GDPR risk and progress with the action plan is being monitored.

6.3. Homelessness and Rough Sleeping Action Group (HARSAG) (New and amended legislation)

- 6.3.1. This group was set up by the Scottish Government in October 2017 to produce short and long term solutions to eliminate homelessness and the need for people to sleep rough. The group has produced a number of proposals to the Scottish Government aimed at ending rough sleeping in Scotland, sustaining that position and ensuring effective prevention and housing led approaches. The recommendations have all been accepted in principle by the Scottish Government, some of which point to changes in legislation. A sub group of the Homelessness Prevention Strategy Group will take forward the early priorities.
- 6.3.2. Measures include the requirement for local authorities to develop rapid re-housing transformation plans, for implementation from April 2019 and will include moving to a 'Housing First' model for those with most complex needs, where people move straight into a permanent settled home rather than temporary accommodation.
- 6.3.3. These issues will have a significant impact on the delivery of housing services with the risk being failure to deliver the agreed service requirements.

6.4. Housing (Scotland) Act 2014 (New and amended legislation)

- 6.4.1. Final guidance has now been received from the Scottish Government on implementation plans which were laid before Parliament in June 2018. The changes come into force on 1 November 2019, by which time landlords will require to make changes to policies and to notify tenants of changes to Secure Tenancy Agreements such as those issued by the Council. This will include:
- changes to the allocation policy

- provision for granting Short Scottish Secure Tenancies
- changes to the rights of existing tenants in respect of joint tenancies, rights to assignment, succession to Scottish Secure Tenancies
- a number of areas relating to Scottish Secure Tenancy concerning anti-social behaviour; recovery of possession; abandoning or neglecting a property; rent arrears; making false statements; and refusing housing offers

6.4.2. These issues will also impact on the delivery of housing services, with the risk being failure to implement the requirements of the Act.

6.4.3. Arrangements are being made within Housing and Technical Resources to implement the necessary changes required by HARSAG and the Housing (Scotland) Act 2014.

6.5. **Community Empowerment (Scotland) Act 2015** ***(New and amended legislation)***

6.5.1. The Act aims to help empower communities through enabling them to take ownership or control of land and buildings, and through strengthening their voices in decisions about public services.

6.5.2. It also places a statutory duty on the Council and its community planning partners to come together with local communities to jointly develop locality or neighbourhood plans to improve outcomes in our most challenged communities and reduce inequalities.

6.5.3. The Act will require the Council to strengthen existing consultation and participation arrangements with communities and community bodies on local issues and local services, with specific implications around the sale of land and transfer of assets to community bodies.

6.5.4. To help the Council meet the requirements of the Act, a new approach to community participation is being developed. As part of this approach, a new Community Participation and Empowerment team is being established to support and work with local communities to develop Community Led Plans.

6.6. **Impact of Waste Management Market Changes** ***(New and amended legislation)***

6.6.1. This risk relates to economic factors which are affecting the price of material processing, disposal and recycling contracts. This could result in markets collapsing. The risk largely stems from changes to legislation, such as the ban on disposal of biodegradable municipal waste, which comes into effect on 1 January 2021. Economic policy changes in China is another factor that impacts upon the risk.

6.6.2. Given that this risk is fundamentally outwith the Council's control, the Council is unable to directly influence the risk itself. However, the Council does have measures in place to monitor market changes through waste industry network groups and via meetings with contractors. Contract conditions also have a provision for potential alternative suppliers should a market collapse occur. The Council also has a Waste Awareness team which aims to improve levels of domestic recycling.

6.7. **IT Development and Functionality Does Not Meet Service Requirements**

6.7.1. Restrictions with some legacy systems within the Council's estate, including potential issues connected with GDPR compliance, will increase the demand for IT services.

6.7.2. The development of legacy systems in an age of digital transformation will require increased awareness and training across the Council.

6.7.3. To mitigate this risk, a Digital Transformation Workshop has been held; there is a focus on progressing priority corporate IT projects via the ICT Programme Board; IT graduate recruitment is underway; and IT staff training programmes are being developed.

6.7.4. A new core Housing and Technical Resources IT system is in the process of being implemented and the core Social Work IT system and the Finance and Human Resources management systems will be subject to strategic reviews this financial year.

6.8. **Integration Joint Board (IJB)**

6.8.1. Post implementation of the South Lanarkshire Health and Social Care Partnership, the IJB risk description has been changed from 'The Council is not sufficiently prepared to deliver the IJB strategic directions set out in the Strategic Commissioning Plan 2016-19' to 'The Council fails to evidence delivery of actions necessary to achieve the objectives set out in the Strategic Commissioning Plan'.

6.8.2. Data access and data sharing remains a challenge in this area. The IJB has recently approved the necessary and proportionate direct access to IT systems of both the Council and NHS. Further work is ongoing within both organisations to progress data sharing arrangements.

7. **Scope and Appetite for Risk**

7.1. South Lanarkshire Council aims to be risk embracing, that 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 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. South Lanarkshire 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

7.4. A comparison of the risk exposure for the Council's top risks between 2016/2017 and 2017/2018 is detailed in Table One below. This includes low level risks outwith the top twenty risks noted in Appendix One.

Table Two – Comparison of risk exposure for the Council's top risks

Residual risk score	2016/2017		2017/2018	
	Number of risks	Percentage of risks	Number of risks	Percentage of risks
High (7, 8 or 9)	9	36%	10	37%
Medium (4, 5, or 6)	11	44%	12	44%
Low (1, 2, or 3)	5	20%	5	19%
	25	100%	27	100%

7.5. Despite the fact that the risk exposure is outwith the ideal risk exposure defined by the Risk Management Strategy, it has remained the same as the previous year. This risk exposure is to be expected as these are the highest level risks currently being faced by the Council.

8. Employee Implications

8.1. There are no direct employee implications relative to this report. There are a number of 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.

9. Financial Implications

9.1. 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.

10. Other Implications

10.1. 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.

10.2. 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'.

11. Equality Impact Assessment and Consultation Arrangements

11.1. 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.

11.2. 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)

16 January 2019

Link(s) to Council Values/Objectives/Ambitions

♦ Values: Accountable, effective, efficient and transparent

Previous References

♦ Risk and Audit Scrutiny Forum, 24 January 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 - Council Top Risk Register 2018

Risk Category	Key risk	Inherent risk score	Residual risk score	Controls (Good, adequate, poor)
One	Reduction in Council funding, resulting in difficulties maintaining front line services	9	8	Adequate
	Failure to adequately prepare for national expansion in early years education and childcare provision	9	8	Adequate
Two	Potential liability arising from claims of historic abuse	7	7	Adequate
	The Council is significantly affected by the impact of the UK leaving the European Union	9	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 achieve results and demonstrate continuous improvement, through leadership, good governance and organisational effectiveness	9	7	Good
	Failure to work with key partners to achieve the outcomes of the Local Outcome Improvement Plan	9	7	Adequate
	The Council fails to evidence delivery of actions necessary to achieve the objectives set out in the Integrated Joint Board Strategic Commissioning Plan	9	7	Adequate
	Adverse weather	9	7	Good
Three	Implementation of Self Directed Support	8	5	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
Four	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