

Report

Report to:	Finance and Corporate Resources Committee
Date of Meeting:	10 November 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Update of the Finance and Corporate Resources Risk Register and Risk Control Plan
----------	--

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ present an update on the Risk Register and Risk Control actions for Finance and Corporate Resources

2. Recommendation(s)

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

- (1) that the contents of the Resource Risk Register be noted; and
- (2) that it be noted that the outstanding Risk Control Actions will be progressed by relevant officers.

3. Background

- 3.1. The Council's Risk Management Strategy promotes consideration of risk in service delivery, planning and decision making processes. The strategy requires Resources to record and review risks and control actions regularly. Finance and Corporate Resources follow the guidance in developing, monitoring and updating the risk register on an ongoing basis.
- 3.2. The purpose of the register is to ensure that the Resource is fully aware of its top risks; that these risks are prioritised; and that controls are in place to eliminate or minimise the impact of the risks.
- 3.3. The Resource scores the risks in accordance with the Council scoring mechanism, based on likelihood and impact. This results in risks being scored between 1 and 25 (low – very high).
- 3.4. Risks are scored on their inherent score (risk if we do nothing) and their residual risk (risk after applying controls).
- 3.5. The last update of the Finance and Corporate Resources Risk Register was reported to Committee on 20 January 2021.
- 3.6. The Resource's top risk register and risk control plan has been reviewed. This work was completed in August 2021.

- 3.7. The Central Risk Management team annually review Resource compliance with the Risk Management Strategy. The outcome of the 2019/2020 review identified that Finance and Corporate Resources achieved 100 per cent compliance, scoring 45 out of a possible 45.

4. Resource Risk Management

- 4.1. Each Resource has a Resource Risk Management Group which has responsibility for the promotion and management of risk.
- 4.2. The Finance and Corporate Resources Risk Management Group continues to meet on a regular basis.
- 4.3. The work of the group over the last year has focused on the review and update of the Resource Risk Register and ensuring that the register reflected the Council Plan and individual Service Plans.

5. Risk Register

- 5.1. Work has been completed by the Resource Risk Group to finalise the review of the Resource Risk Register. The update considered risks at a Service level, as well as strategic Council risks.
- 5.2. The Resource Risk Register will be monitored on an ongoing basis to allow new risks to be added and for the control measures and scores of the existing risks to be reviewed considering new information.
- 5.3. Risks can result from internal or external influences, with examples being the impact of projected funding cuts, legislative changes, or the impact of internal service changes.
- 5.4. The development process for the Resource Plan requires a risk assessment process to be undertaken as appropriate resulting in some actions within the Resource Plan having a corresponding risk identified within the risk register.
- 5.5. The main changes to the register are summarised below:-
- ◆ The residual risk score for 'Covid-19 pandemic' has reduced from 20 to 16
 - ◆ The residual risk score for 'EU Exit' has reduced from 20 to 12
 - ◆ The risk card for 'Potential liability arising from claims of historic abuse' has been re-written to reflect upon recent developments and changes to legislation
 - ◆ The risk description for 'Death or injury to employees, service users or members of the public affected by Council operations' has been amended to capture wider health, safety and wellbeing issues
 - ◆ Risk descriptions, controls and actions have been updated as required on individual risks, following discussion with risk owners
- 5.6. Risks scored 15 to 25 are considered to be very high risks and risks scored 8 to 12 are considered to be high risks. Very high and high risks are monitored closely. The top risks identified for the Resource, that is those that are residually scored as being very high and high, are attached at Appendix 2.
- 5.7. Appendix 3 provides a comparison of risk scores for 2020 and 2021. This appendix also details changes in risk descriptions.

- 5.8. Risks evaluated residually as being medium or low risk will be monitored to ensure that they continue to be adequately managed.

6. Insurance Hotspots

- 6.1. The Council's insurers have been undertaking an analysis of the public liability, employer's liability, motor and property claims experiences for the last 2 years, with a view to identifying areas where a number of similar types of claim or high value claims were originating. This work was delayed due to the pandemic and is now due to be completed by the end of 2021. Action plans will be agreed with Resources to mitigate against hotspot areas.
- 6.2. It is anticipated that no actions for Finance and Corporate Resources will result from the insurance hotspots review.

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 updated as part of the review of the risk management strategy last 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 1 below shows the top risks heat map, i.e. it details the total number of risks for each individual residual risk score. Table 2 below notes the overall risk profile for the top risks.

Table 1 – Finance and Corporate Resources Heat Map

Likelihood	5 Almost Certain				1	
	4 Likely			2	1	
	3 Possible		8	7	4	
	2 Unlikely	2	14	8	4	
	1 Rare	4	8	8		
		1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
		Impact				

Table 2 – Finance and Corporate Resources Risk Profile

Risk Category	Risk Rating	Number of residual risks	Percentage of residual risks
1	Very high	2	2.8%
2	High	17	23.9%
3	Medium	30	42.3%
4	Low	22	31.0%
		71	100.0%

- 7.5. Despite the fact that the profile noted in Table 2 is out with the ideal universal risk exposure defined by the Risk Management Strategy, this risk exposure is reasonable given the number of high level risks currently being faced by the Resource.
- 7.6. Finance and Corporate Resources has ensured that all inherent risks scored at a very high and high level have cost effective control measures in place. Where further control measures are required, these are included within the Resource risk control plan.

8. Risk Control Actions

- 8.1. 1 risk control action was due for delivery between April and August 2021 and was completed on time.
- 8.2. 8 actions due for completion during 2020/2021 have been completed. 57% (8/14) of control actions were completed on time against an overall Resource target of 90%. 6 actions have been delayed and carried forward due to the pandemic and are identified in Appendix 4.
- 8.3. Details of the completion of risk control actions during 2020/2021 and 2021/2022 to date are contained in Table 3 below.

Table 3 – Completion of top risk control actions

	2020/2021	2021/22 (as at 31 August 2021)
Total number of actions due	14	1
Completed on time	8	1
Completed late	0	0
Carried forward to 2021/22	4	-
To be completed at a later date	2	11

- 8.4. Progress with completion of Resource Risk Control Actions is monitored by the Central Risk Management team. This is also reviewed by the Resource Risk Group.
- 8.5. There are currently 11 risk control actions due for completion during the remainder of 2021/2022, with a further 5 actions due to be completed in future years. Details of these actions are noted at Appendix 4. The outstanding actions to mitigate risks within the Risk Control Plan will be progressed by the relevant officers.

9. Major projects, partnerships or change

- 9.1. Within Finance and Corporate Resources 4 partnerships have been identified. 1 of these is considered to be high risk, the Community Planning Partnership (CPP). The remaining 3 partnerships have been assessed as being low risk.

- 9.2. Appropriate risk management arrangements are in place for the CPP with regular reports on their risk register and action plan presented to the CPP Board.

10. Next steps

- 10.1. The Resource Risk Management Group will continue to meet on a regular basis. The risk register will be reviewed on an ongoing basis by the group to ensure that risks remain valid for the appropriate Service areas and to identify new areas of risk that affect the Resource. An update report will be provided to Committee on an annual basis.

11. Employee Implications

- 11.1. Time will be required by the Resource Risk Management Group in the management of the Resource Risk Register and Risk Control Plan.

12. Financial Implications

- 12.1. There are no direct financial implications associated with the Resource'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.

13. Climate Change, Sustainability and Environmental Implications

- 13.1. 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'

14. Other Implications

- 14.1. Failure to demonstrate that risk is actively considered and managed cannot only lead to avoidable financial loss but could also affect delivery of services and could affect the Resources' reputation.

15. Equality Impact Assessment and Consultation Arrangements

- 15.1. This report does not introduce a new policy, function or strategy or recommend a change to existing policy, function or strategy and therefore, no impact assessment is required.
- 15.2. Consultation on the content of this report has been undertaken with the Resource Management Team.

Paul Manning
Executive Director (Finance and Corporate Resources)

6 October 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, effective and efficient

Previous References

- ◆ Report to Finance and Corporate Resources Committee – 20 January 2021 – Update of Finance and Corporate Resources Risk Register and Risk Control Plan

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 1 – 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 2

Finance and Corporate Resources Risk Register (as at 31 August 2021) Extract of risks with residual score category of Very High and High

Risk Category	Key risk	Inherent Risk Score	Sample of Controls	Residual Risk Score
1 Very High (15-25)	Reduction in external funding and fees/income received by the council, as well as increased service demands, results in savings difficulties Council Top Risk	25	<ul style="list-style-type: none"> An embedded and systematic approach to savings identification Robust processes in place to report annual budget and Council Tax proposals to Elected Members Council's long term financial strategy includes scenario planning 	20
	The Council does not provide an adequate response to the effects of a global pandemic illness within communities; maintaining critical services; providing support to the community and business; deliver emergency response commitments as a Category One Responder; and protecting the wellbeing of employees and service users as far as reasonably practicable. Responding to the pandemic will impact on everything else the council does. Council Top Risk	25	<ul style="list-style-type: none"> Increased IT server capacity identified; Internet circuit bandwidth updated; IT Software licences to allow agile working procured; Increased numbers of agile workers; Increased number of laptops Changes made to Registration processes – all staff centralised at HQ, death registrations available remotely, birth registrations in person and at HQ only, civil ceremonies being carried out at Town House, Hamilton and external venues as required CoSLA additional expense return completed as required by Finance Services (Strategy). Specific cost centres established to monitor spending 	16

2 High (8-12)	Historic childhood abuse Council Top Risk	16	<ul style="list-style-type: none"> • Ongoing input to discussions between COSLA and the Scottish Government in respect of a fair and meaningful contribution to the Redress Scheme by Local Authorities • Regular actuarial reviews of post insurance fund exposures undertaken to establish potential liability for the council 	12
	The Council is significantly affected by the impact of the UK leaving the European Union Council Top Risk	25	<ul style="list-style-type: none"> • The HM Treasury has provided assurances around the current EU funded programme for all projects • Council Resources have reviewed their contingency plans to ensure that they are sufficiently robust to deal with any significant negative impact that may arise from the UK leaving the EU. 	12
	Fraud, theft, organised crime and cyber attacks Council Top Risk	20	<ul style="list-style-type: none"> • Anti-Fraud and Corruption Strategy • Whistle-blowing procedures • Cyber security and information security training • The Council has in place a technical IT infrastructure that provides information security protocols in line with industry best practice. This is subject to regular independent review to ensure its continued effectiveness. 	12
	Information Governance not subject to adequate control Council Top Risk	20	<ul style="list-style-type: none"> • Awareness raising • Information Governance Group in place • Information Governance Strategy 	12
	Failure to respond - major event/emergency Council Top Risk	16	<ul style="list-style-type: none"> • Media response policy • IT business continuity plans • Emergency Management Team 	12

Insurance fund insufficient to meet known liabilities	20	<ul style="list-style-type: none"> • Regular actuarial reviews • Management of claims trends • Review of operation of Council's insurance fund. 	12
Procurement activity is affected by a lack of resources, non-compliance or legal challenge Council Top Risk	25	<ul style="list-style-type: none"> • Procurement Strategy and action plan • Contracts register in place • Procurement Annual Report published 	9
IT development and functionality does not keep pace with changing service requirements Council Top Risk	20	<ul style="list-style-type: none"> • IT Asset Management Plan • ICT Development Fund • IT Programme Board 	9
Lack of capacity and skills to meet increased service demands Council Top Risk	20	<ul style="list-style-type: none"> • Workforce Strategy • Performance Appraisal Process • Learning and Development Strategy 	9
Inaccurate information relating to council services reported via media	12	<ul style="list-style-type: none"> • Timeous response to media enquiries • Guidelines on media enquiries contained within Corporate Standards • Contact sheets provided to the media 	9
Audit plan not delivered	12	<ul style="list-style-type: none"> • Managed systematic approach to work allocation and monitoring arrangements • Capacity planning 	9
Difficulties in placing insurance cover	16	<ul style="list-style-type: none"> • Support from appointed insurance broker • Sound experience in placing covers • Regular reviews to ensure optimal balance between retention of risk and purchased covers 	9
Failure to deliver the Modern Apprenticeship programme	12	<ul style="list-style-type: none"> • Compliance process in place • Commitment from senior management 	9

			<ul style="list-style-type: none"> • Appropriately trained and qualified staff available to delivery relevant internal programmes 	
	Failure to ensure the health, safety and wellbeing of employees and the protection of service users and members of the public in the delivery of council services Council Top Risk	20	<ul style="list-style-type: none"> • Occupational Health and Safety Management System embedded throughout the Council • Risk assessments and safe systems of work developed and implemented • Resource H&S Groups in place 	8
	Failure to achieve the outcomes of the Community Plan Council Top Risk	20	<ul style="list-style-type: none"> • Partnership Progress Group established • Community Engagement Manager and team in place • Neighbourhood plans developed 	8
	Community Alarms - Failure to properly prepare and successfully transition from the current analogue service to a digital solution within the pre-determined timescale	20	<ul style="list-style-type: none"> • Project plan in place • Project Review Board established • Sessions held to scope full organisation requirements 	8
	Failure to manage financial aspects of City Deal	25	<ul style="list-style-type: none"> • Financial aspects reviewed for each business case at all stages of the project • Assurance frameworks • Specific project risk registers in place 	8

Appendix 3: Comparison 2021 and 2020 council top risk register Risk Category

Risk Category	Key risk	2020 Residual risk score	2021 Residual risk score	Change in residual risk scores	Changes to key risk descriptions
1 Very High (15-25)	Reduction in external funding and fees/income received by the council, as well as increased service demands, results in savings difficulties Council Top Risk	20	20	=	Deletion of “maintaining front line services” from the key risk description. Addition of “external” to the key risk description in respect of funding and fees/income
	The Council does not provide an adequate response to the effects of a global pandemic illness within communities; maintaining critical services; providing support to the community and business; deliver emergency response commitments as a Category One Responder; and protecting the wellbeing of employees and service users as far as reasonably practicable. Responding to the pandemic will impact on everything else the council does. Council Top Risk	20	16	↓	Addition of “providing support to the community and businesses” to the key risk description.
2 High (8-12)	Historic childhood abuse Council Top Risk	12	12	=	Key risk description amended from “Potential liability arising from claims of historic abuse “

	The Council is significantly affected by the impact of the UK leaving the European Union Council Top Risk	20	12	↓	
	Fraud, theft, organised crime and cyber attacks Council Top Risk	12	12	=	
	Information Governance not subject to adequate control Council Top Risk	12	12	=	
	Failure to respond - major event/emergency Council Top Risk	12	12	=	
	Insurance fund insufficient to meet known liabilities	12	12	=	
	Procurement activity is affected by a lack of resources, non-compliance or legal challenge Council Top Risk	9	9	=	
	IT development and functionality does not keep pace with changing service requirements Council Top Risk	9	9	=	Key risk description amended from "IT Development and functionality does not meet service requirements"
	Lack of capacity and skills to meet increased service demands Council Top Risk	9	9	=	
	Inaccurate information relating to council services reported via media	9	9	=	
	Audit plan not delivered	9	9	=	
	Difficulties in placing insurance cover	9	9	=	
	Failure to deliver the Modern Apprenticeship programme	9	9	=	
	Failure to ensure the health, safety and wellbeing of employees and the protection of service users and members of the public in	8	8	=	Key risk description amended from "Death of injury to employees,

	the delivery of council services Council Top Risk				services users or members of the public affected by council operations”
	Failure to achieve the outcomes of the Community Plan Council Top Risk	8	8	=	
	Community Alarms - Failure to properly prepare and successfully transition from the current analogue service to a digital solution within the pre-determined timescale	8	8	=	
	Failure to manage financial aspects of City Deal	8	8	=	

Appendix 4 – Finance and Corporate Resources 2021 Risk Control Plan

Action:	Who:	Target date:
Review the priorities in the Community Plan to ensure that they are informed by our local communities	Community Engagement Manager	September 2021
Review of Contract Standard Terms and Conditions	Head of Administration and Legal Services	September 2021
Develop Digital and IT Strategies for 2022 – 2025 (Action carried forward from 2020/2021)	Head of IT Services	September 2021
Provide input and support to council transformation plans.	Head of IT Services	September 2021
Undertake Actuarial Review of insurance fund pre-fund liabilities (historic abuse) as at 31 March 2021	Head of Finance (Transactions)	October 2021
Complete exit from IT Caird Data Centre and Migration to Hybrid Cloud solution	Head of IT Services	December 2021
Consult with insurers on measures to mitigate risks identified in claims leakage reports	Head of Finance (Transactions)	December 2021
Finalise A2D Project Plan (Action carried forward from 2020/2021)	Programme Co-Ordinator, IT Services	December 2021
Progress agile working across the council through full deployment of Windows 10 laptops / Office 365 / Soft Phones (Action carried forward from 2020/2021)	Head of IT Services	March 2022
Implement actions per ICT Asset Management Plan	Head of IT Services	March 2022
Complete outstanding PIAs and publish summary details on the internet (Action carried forward from 2020/2021)	Legal Services Manager/Assistant Registrar	March 2022
Partners and communities work together to produce a new Community Plan reflecting the post pandemic needs of South Lanarkshire	Community Engagement Manager	May 2022
Implementation of EDRMS Phase 2 (Action carried forward from 2020/2021)	Head of IT Services	June 2022
A2D - Approve service provision model (Action carried forward from 2020/2021)	Programme Co-Ordinator, IT Services	June 2022
Review of CPP Structures to ensure that they are fit for purpose	Community Engagement Manager	August 2022
A2D - Digital solution procured and implemented	Programme Co-Ordinator, IT Services	March 2024