

# Report

Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>31 January 2017</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Review of the Council's Top Risks</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the Risk and Audit Scrutiny Forum 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 Forum is asked to approve the following recommendation(s):-

- (1) that proposals in respect of the Council's top risks are noted
- (2) that the risk profile is noted

## 3. Background

- 3.1. Annual reviews of the Council's top risks are undertaken, with the findings of the last review reported to the Risk and Audit Scrutiny Forum in January 2016.
- 3.2. This year's review commenced in May 2016. This entailed a health check of existing top risks by Risk Sponsors and views being sought from Heads of Service and Elected Members on new areas of risk. Risk control cards were updated, where required. The review culminated in a session in late August 2016, with the Risk Management team and Risk Sponsors reviewing the findings.
- 3.3. 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 rationalise and amalgamate risks as appropriate, review risk descriptions as required and refresh risk rankings.
- 3.4. The content of this report provides the Risk and Audit Scrutiny Forum with the details of these risks.

## 4. Results of the review of the Council's Top Risks

- 4.1. To assist, 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 Council strategies
  - ◆ there are impacts of a social or demographic context

- 4.2. On the whole, most of the risks from the review undertaken in 2015 were still deemed to be valid. The main change to the top risk register is the merging/realigning of some risks into wider risk themes, which now more accurately reflect the Council's Connect priorities and objectives. Table One below summarises the merged/realigned risk descriptions.

**Table One – Merged/realigned risks**

<b>Risks from 2015/2016 risk register</b>	<b>Revised risk descriptions 2016/2017</b>
<ul style="list-style-type: none"> <li>◆ Failure to address results of the Scottish Index of Multiple Deprivation (SIMD)</li> <li>◆ Failure by the Council to effectively manage the processes and practices to reduce the impact of welfare reform</li> <li>◆ Failure to address fuel poverty</li> </ul>	<ul style="list-style-type: none"> <li>◆ Failure to tackle poverty, disadvantage and deprivation</li> </ul>
<ul style="list-style-type: none"> <li>◆ Climate change and adverse weather</li> <li>◆ Tough carbon reduction and sustainability targets</li> </ul>	<ul style="list-style-type: none"> <li>◆ Failure to manage increasing levels of adverse weather</li> <li>◆ Failure to develop a sustainable Council and communities</li> </ul>
<ul style="list-style-type: none"> <li>◆ Weakened Trade Union and employee relations</li> <li>◆ Poor partnership/joint working arrangements</li> </ul>	<ul style="list-style-type: none"> <li>◆ Failure to work with key partners to successfully deliver the Council's partnership ambitions</li> </ul>

- 4.3. Some risk descriptions have been updated to reflect feedback received and the views of Risk Sponsors. This included the addition of cyber security attacks to the existing fraud, theft and organised crime risk.
- 4.4. As a result of the merging of risks, 'Effects of new and amended legislation' has been reintroduced to the top twenty risks this year. This was considered appropriate by the Risk Sponsors, given a number of significant legislative changes currently being witnessed which impacts greatly on local authorities. See section six for further details.
- 4.5. Appendix One provides details of the revised top 20 risks in ranking order, with both the inherent and residual risk scores, examples of associated risk controls and an assessment of the adequacy of controls shown. This information has been taken from the detailed individual risk control cards that are held for each of the top risks.
- 4.6. To maintain focus on the higher scored risks, those risks with a low residual risk score have been excluded (ones, twos and threes). These risks will be monitored to ensure that they continue to be adequately managed.
- 4.7. The Risk and Audit Scrutiny Forum is asked to note the outcome of the review of the Council's Top Risks.

## **5. Comment/Developments on Top Risks**

- 5.1. The Council's top risk reflects the significant financial challenge facing South Lanarkshire Council and other local authorities as a result of a reduction in local government funding at a time when there are increased demands on Council Services. The updated Revenue Budget Strategy for 2017/2018 was presented to the Executive Committee in July 2016 and detailed a net efficiency saving requirement of £20.062m for next year. The Council remains committed to mitigating the impact on frontline services and a package of savings for 2017/2018 was presented to Elected Members for their consideration at a seminar held in November 2016. The financial pressures currently being experienced are expected to continue into the medium term.
- 5.2. Tackling poverty, disadvantage and deprivation continues to be a key priority for the Council. Priorities within our tackling poverty programme focus on early intervention and prevention; employability; support for vulnerable individuals and families; financial inclusion; health improvement; and community engagement. The programme's 2015/2016 annual report indicates that 89 per cent of all targets set were either achieved or exceeded.
- 5.3. The Scottish Government has secured the agreement of each Scottish local authority to maintain their teacher numbers and pupil/teacher ratio. Failure to meet this agreement could result in a financial penalty.
- 5.4. South Lanarkshire Council, along with a number of other local authorities, continues to face challenges in recruiting teachers in sufficient numbers to meet this agreement. This is, in the main, due to an increase in pupil numbers and a lack of available teachers across the national education system.
- 5.5. The impacts of global warming are already being experienced throughout the world, with changing weather patterns, rising sea levels and more extreme weather events. This was at the forefront of media coverage at the end of 2015, when nearly 200 countries signed up to the Paris Agreement, a legally binding climate change deal. The deal was formally ratified by the US and China on 3 September 2016, with other countries expected to follow.
- 5.6. The Scottish Government is placing more emphasis on climate change with the introduction of statutory reporting of the public sector climate change duties and more challenging carbon reduction targets to be met by 2020. The amendments which the Scottish Government has introduced heighten the Council's climate change responsibilities.
- 5.7. The revised ranking of 'Failure to demonstrate continuous improvement, limited strategic direction and a lack of cohesive change management' reflects the ongoing difficulties faced by the Council in managing this risk, which has a clear link to the Council's top ranked risk on reduced funding.

## **6. Horizon Scanning**

- 6.1. Despite the fact that the top risk register has not altered significantly, there are a number of areas which have been identified this year which are, in the main, covered by existing risk descriptions, but which will require either specific action to mitigate or for the appropriate Service to monitor any further developments.

- 6.2. The main areas identified, most of which are legislative, are summarised below:-
- ◆ uncertainty following the EU referendum in June 2016
  - ◆ potential changes following Local Government Elections 2017
  - ◆ the Children and Young Persons (Scotland) Act 2014 – Provision of named person and proposed increase in free early learning and child care provision
  - ◆ Education (Scotland) Act 2016
  - ◆ proposed changes as a result of the EU Data Protection Regulations and Directive
  - ◆ Community Empowerment (Scotland) Act 2015
  - ◆ managing procurement issues relating to living wage for care workers
  - ◆ Scottish Government led inquiry into cases of historic abuse
  - ◆ Procurement Reform (Scotland) Act 2014

## 7. Scope and Appetite for Risk

- 7.1. The Council's Risk Management Strategy recommends that an ideal exposure would see no more than 20 per cent of risks at a high level (residual risk score of seven, eight or nine), and around 30-40 per cent of risks at a low level (residual score of one, two or three). Excessive high risk scores may be an indication of instability and excessive low risk scores may indicate lack of innovation.
- 7.2. A comparison of risk exposure for the Council's top risks between 2015/2016 and 2016/2017 is detailed in Table Two below:

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

Residual risk score	2015/2016		2016/2017	
	Number of risks	Percentage of risks	Number of risks	Percentage of risks
High (7, 8 or 9)	8	25.8%	9	33.3%
Medium (4, 5, or 6)	12	38.7%	15	55.6%
Low (1, 2, or 3)	11	35.5%	3	11.1%
	31	100.0%	27	100.0%

- 7.3. Despite the fact that the risk exposure shows deterioration, and it is outwith the ideal risk exposure defined by the Council's Risk Management Strategy, it is actually broadly in line with the previous year. This risk exposure is to be expected as these are the highest level risks currently being faced by the Council. The change in risk exposure is largely down to the merging of some risks and one lower level risk dropping off the top risk register.
- 7.4. The Risk and Audit Scrutiny Forum is asked to note the Council's risk profile.

## 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 through Figtree.

- 8.2. The Risk Management team takes a corporate lead for strategic risk management arrangements and each Resource has a Risk Sponsor who is responsible for developing, challenging and supporting risk management activity at Resource and corporate levels. Risk Management personnel, Risk Sponsors and other officers, as appropriate, are required to dedicate time to ensure risk management is embedded within Resources.

## **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 through Figtree.

## **10. Other Implications**

- 10.1. Failure to demonstrate that risk is actively considered and managed cannot 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. Failure to implement risk management requirements within Resources and partnerships will impact on the Council's ability to comply with best practice guidance. The work of the Cross Resource Risk Sponsors Group and Resource Risk Groups mitigates against this risk.
- 10.3. Sustainable development issues are included within the Council's Top Risk Register through being linked directly to the Council Plan objective 'Develop a Sustainable Council and Communities'.

## **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, Elected Members and Resource Risk Sponsors.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

28 December 2016

### **Link(s) to Council Values and Objectives**

- ◆ Values: Accountable Effective and Efficient

### **Previous References**

- ◆ Report to the Risk and Audit Scrutiny Forum – Risk Management Update – 31 January 2016

### **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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South Lanarkshire Council's Top Risk Register 2016

Ranking	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (good, adequate, poor)
1	Reduction in funding; income generated by the Council; and savings difficulties	9	8	<ul style="list-style-type: none"> <li>• Embedded structured and systematic approach to savings identification and prioritisation</li> <li>• Robust processes in place to report annual budget and council tax proposals to elected members</li> <li>• Four weekly monitoring and reporting of financial performance</li> </ul>	Adequate
2	Failure to tackle poverty, disadvantage and deprivation	9	8	<ul style="list-style-type: none"> <li>• South Lanarkshire Single Outcome Agreement (SOA), encourages a coherent approach from all partners</li> <li>• Corporate Welfare Reform Officer Working Group in place</li> <li>• Benefits are Changing team in place to ensure direct contact with tenants affected by changes.</li> </ul>	Adequate
3	Failure to maintain the required pupil/teacher ratio	9	8	<ul style="list-style-type: none"> <li>• Continuous monitoring of expected school staffing requirements; estimated pupil numbers including S5 and S6; and update of records with SEEMiS</li> <li>• Ongoing recruitment adverts</li> </ul>	Adequate
4	Failure to develop a sustainable Council and communities	9	8	<ul style="list-style-type: none"> <li>• Sustainable development has been established as a Connect priority objective</li> <li>• The Sustainable Development Member Officer Working Group is</li> </ul>	Good

				responsible for the implementation of the Council's Sustainable Development Strategy 2012-2017 <ul style="list-style-type: none"> <li>• A Carbon Management Group meets regularly and a Carbon Management Plan is in place</li> </ul>	
<b>5</b>	Failure to demonstrate continuous improvement; limited strategic direction; and a lack of cohesive change management	9	7	<ul style="list-style-type: none"> <li>• Service reviews</li> <li>• Preparation of Annual Performance Report</li> <li>• Empower self assessment activity and associated improvement plans</li> </ul>	Good
<b>6</b>	Information management not subject to adequate control	9	7	<ul style="list-style-type: none"> <li>• Awareness raising and data protection training</li> <li>• Information Governance Group</li> <li>• Confidential Waste Policy</li> </ul>	Adequate
<b>7</b>	Fraud, theft, organised crime and cyber security attacks	9	7	<ul style="list-style-type: none"> <li>• Anti fraud and corruption strategy</li> <li>• Active National fraud Initiative participant</li> <li>• Information sharing protocols between the Council and the Police</li> </ul>	Adequate
<b>8</b>	The Council is not sufficiently prepared to deliver the Integration Joint Board strategic directions set out in the Strategic Commissioning Plan 2016-2019	9	7	<ul style="list-style-type: none"> <li>• Chief Officer appointed</li> <li>• IJB Directions issued to the Council and NHS Board</li> <li>• Preparation of detailed risk registers</li> </ul>	Adequate
<b>9</b>	Failure to manage increasing levels of adverse weather	9	7	<ul style="list-style-type: none"> <li>• Dedicated Flood Risk Management Team</li> <li>• Annual reviews of winter weather procedures</li> <li>• Remote monitoring of high risk flooding sites using telemetry solutions</li> </ul>	Good
<b>10</b>	IT development and functionality does not meet service requirements	9	5	<ul style="list-style-type: none"> <li>• ICT Project Board authorisations for all Service Plan commitments and unplanned work</li> </ul>	Adequate



				<ul style="list-style-type: none"> <li>• Dedicated IT development fund</li> <li>• Testing of IT system recovery and business recovery</li> </ul>	
11	Lack of capacity and skills to provide current core services and meet increased service demands	8	5	<ul style="list-style-type: none"> <li>• PDR Process</li> <li>• Training</li> <li>• Workforce strategy</li> </ul>	Good
12	Implementation of self directed support	8	5	<ul style="list-style-type: none"> <li>• A self directed Support project board has been established</li> <li>• An SDS team is in place covering all client service user groups</li> <li>• Staff training undertaken</li> </ul>	Good
13	Failure to deliver City Deal projects and anticipated economic benefits	9	5	<ul style="list-style-type: none"> <li>• Formal City Deal document in place</li> <li>• Assurance Framework</li> <li>• Infrastructure Working Group in place</li> <li>• Strategic level group in place</li> </ul>	Good
14	Failure to make our communities safer and stronger	9	5	<ul style="list-style-type: none"> <li>• Annual reports on progress to committee and Safer South Lanarkshire Board</li> <li>• Joint problem solving approach with partner agencies in place</li> </ul>	Adequate
15	Failure to fulfil emergency response commitments	9	5	<ul style="list-style-type: none"> <li>• Established contingency planning methodology</li> <li>• Multi agency partnership working through Local and Regional resilience groups</li> </ul>	Adequate
16	Failure to work with partners to successfully deliver the Council's partnership ambitions	9	5	<ul style="list-style-type: none"> <li>• Formal corporate structure to enable good trade union relations</li> <li>• Elected member involvement – Joint Consultative Forum and Employee Issues Forum</li> </ul>	Adequate
17	Equal pay claims	8	5	<ul style="list-style-type: none"> <li>• Regular briefings to elected members</li> </ul>	Good
18	Procurement practice and processes fail to meet statutory requirements and best practice principles;	8	5	<ul style="list-style-type: none"> <li>• Procurement scrutiny process</li> <li>• Performance monitoring of all</li> </ul>	Good

	and poor contracts management.			contracts over £50,000	
<b>19</b>	Death or injury to employees, service users or members of the public	9	4	<ul style="list-style-type: none"> <li>• Occupational Health and Safety Management System embedded throughout the Council</li> <li>• Resource and Service Health and Safety Groups meet on a regular basis within all Resources.</li> </ul>	Good
<b>20</b>	Effects of new and amended legislation	9	4	<ul style="list-style-type: none"> <li>• Participation of SLC solicitors on SOLAR and other working groups regarding implementation of new legislation</li> <li>• Change of legislation built into Resource plans</li> </ul>	Good