

Report

Report to:	Finance and Corporate Resources Committee
Date of Meeting:	7 February 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Update of the Finance and Corporate Resources Risk Register and Risk Control Plan
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide 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 one and nine (low – 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 the Finance and Corporate Resources Committee on 23 November 2016.
- 3.6. The Council's Top Risk Register and Risk Control Plan has been reviewed. This work was completed in September 2017.

- 3.7. The central Risk Management team annually review Resource compliance with the Risk Management Strategy. The outcome of the 2017/2018 review identified that Finance and Corporate Resources achieved 100 per cent compliance, scoring 42 out of a possible 42.

4. Resource Risk Management Group

- 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 quarterly 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 concentrated on 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 in light of new information.
- 5.3. Risks can result from internal or external influences, with examples being the impact of projected funding cuts or 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 Risk Register are summarised below:-
- ◆ the Governance risk was merged with the continuous improvement risk
 - ◆ a new risk has been added for 'Failure to work with key partners to achieve the outcomes of the Local Outcome Improvement Plan'
 - ◆ a lower level emergency response risk has also been added, detailing finance, procurement, IT and media issues for the Resource
 - ◆ top risk descriptions have been updated following a comprehensive review
- 5.6. Risks scored seven to nine are considered to be high risks and these are monitored closely. The top risks identified for the Resource, that is, those that are residually scored as being high, are attached at Appendix One.
- 5.7. A clear link has been made to the Council's top risks. Top rankings and Resource specific risk implications are noted within the Appendix.
- 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. A review of claims carried out for the period 1 April 2014 to 31 December 2016 identified that there were no hotspot areas for Finance and Corporate Resources.

7. Scope and Appetite for Risk

- 7.1. South Lanarkshire 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 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. Finance and Corporate Resources risk exposure is detailed in Table One below:-

Table One – Finance and Corporate Resources Risk Exposure

Residual risk score	Number of risks	Percentage of risks
High (7, 8 or 9)	6	9%
Medium (4, 5, or 6)	32	49%
Low (1, 2, or 3)	27	42%
	65	100%

- 7.5. Table One shows that Finance and Corporate Resources risk exposure is broadly in line with the ideal profile outlined above.
- 7.6. Finance and Corporate Resources has ensured that all inherent risks scored at a high level have cost effective control measures in place. Where further control measures are required, these are included within the Resources' Risk Control Plan.

8. Risk Control Actions

- 8.1. There were no risk control actions due for delivery between April and September 2017.
- 8.2. All actions due for completion during 2016/2017 have been completed. One hundred per cent of these risk control actions were completed on time against an overall Resource target of 75 per cent.
- 8.3. Details of the completion of risk control actions during 2016/2017 and 2017/2018 to date are contained in Table Two below.

Table Two

	2016/17	2017/18 (as at 30 September 2017)
Total number of actions due	10	0
Completed on time	10	0
Completed late	0	0
Outstanding	0	2

- 8.4. Progress with completion of the Resource's Risk Control Actions is monitored on a monthly basis by the Central Risk Management team. This is also reviewed by the Resource Risk Group.
- 8.5. There are currently two risk control actions due for completion during the remainder of 2017/2018. These will be progressed by the relevant officers.

9. Major Projects, Partnerships or Change

- 9.1. Within Finance and Corporate Resources five partnerships have been identified. One of these is considered to be high risk, the Community Planning Partnership (CPP). The remaining four partnerships have been assessed as being low risk.
- 9.2. Appropriate risk management arrangements are in place for the high level partnership.

10. Next Steps

- 10.1. The Resource Risk Management Group will continue to meet on a quarterly 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. During the year, if any new initiatives are identified which would help mitigate any particular risk faced by the Resource, some financial assistance may be available from the Risk Management Fund. This is managed through a bid being submitted and assessed against set criteria.

13. Other Implications

- 13.1. Failure to demonstrate that risk is actively considered and managed can not only lead to avoidable financial loss but could also affect the delivery of services and could affect the Resources' reputation.
- 13.2. There are no implications for sustainability in terms of the information contained in this report.

14. Equality Impact Assessment and Consultation Arrangements

- 14.1. 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.
- 14.2. Consultation on the content of this report has been undertaken with members of the Finance and Corporate Resources Risk Management Group.

Paul Manning

Executive Director (Finance and Corporate Resources)

8 January 2018

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Finance and Corporate Resources Committee – 23 November 2016 – 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:-

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Finance and Corporate Resources Risk Register (as at September 2017)
Extract of risks with residual score seven, eight and nine

Risk	Inherent score	Sample of controls	Residual score
<p>Reduction in external funding and fees/income received by the Council, as well as increased financial pressures/demand for services; results in savings difficulties. (Council top risk)</p> <ul style="list-style-type: none"> • Failure to achieve Resource savings targets • Failure to collect Council Tax 	9	<ul style="list-style-type: none"> • Embedded structure and systematic approach to savings identification • Robust processes in place to report annual budget and Council Tax proposals to Elected Members • Rolling review of service charges 	8
<p>Information management not subject to adequate control. (Council top risk)</p> <ul style="list-style-type: none"> • Ineffective records management practices could lead to data breaches 	9	<ul style="list-style-type: none"> • Awareness raising and training in place • Information Governance Board in place • Records Management plan approved by the Keeper 	7
<p>Fraud, theft, organised crime and cyber attacks (Council top risk)</p> <ul style="list-style-type: none"> • Fraudulent/duplicate payments to third parties • Cyber/malware attacks • Procurement processes fail to identify suppliers with links to serious organised crime • Inadequate/ineffective fraud controls 	9	<ul style="list-style-type: none"> • Anti-Fraud and Corruption Strategies • Council has in place a technical IT infrastructure that provides information security controls in accordance with industry best practice • Procurement information sharing protocols between the Council and the Police 	7
<p>Failure to achieve results and demonstrate continuous improvement, through leadership, good governance and organisational effectiveness. (Council top risk)</p> <ul style="list-style-type: none"> • Failure to effectively manage change following reviews, impacting service delivery standards 	9	<ul style="list-style-type: none"> • Good Governance Group in place • Resource information governance action plan • Corporate Improvement Advisory Board in place • Preparation of Annual Performance Report • Positive Inspection Reports received 	7

Risk	Inherent score	Sample of controls	Residual score
<ul style="list-style-type: none"> • Failure to demonstrate continuous improvement • Lack of governance arrangements 			
<p>Failure to work with key partners to achieve the outcomes of the Local Outcomes Improvement Plan (LOIP) (Council top risk)</p> <ul style="list-style-type: none"> • Failure to make progress in improving outcomes and reducing inequalities • Failure to come together with its partners and communities to agree and jointly deliver the Community Plan (LOIP) and Neighbourhood Plans • The Council and its partners do not effectively take steps to achieve improved outcomes agreed through the participation of local communities and contained in the Community Plan and in relevant Neighbourhood Plans 	9	<ul style="list-style-type: none"> • Partners signed up to Community Plan / LOIP • Partnership Progress group established • Community Planning Risk Register maintained and monitored • Annual performance reporting and annual published report of Community Plan and on activities and progress of the Strategic Boards' Partnership Improvement Plans 	7
<p>The Council is not sufficiently prepared to deliver the Integration Joint Board Strategic directions set out in the Strategic Commissioning Plan 2016-2019. (Council top risk)</p> <ul style="list-style-type: none"> • Failure to balance budgets • IT information sharing protocols • Failure to effectively manage change • Ineffective governance and accountability arrangements 	9	<ul style="list-style-type: none"> • Strategic Commissioning Plan 2016-2019 approved • IJB directions issued to the Council annually • Specific Risk Register and action plan in place 	7