

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	23 April 2013
Report by:	Executive Director (Finance and Corporate Resources)

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

1.1. The purpose of the report is to:-

- ◆ provide the Forum with recommendations in respect of the Council's top risks

2. Recommendation(s)

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

- (1) that the process of the review of the Council's top risks is noted;
- (2) that proposals in respect of 34 Council top risks are noted;
- (3) that coverage of Connect objectives, priorities and Measures of Success are noted;
- (4) that it be noted that this report will be presented to the Executive Committee for approval and to the Joint Consultative Forum for noting;
- (5) that it be noted that details of the risk control actions will be recorded on Figtree and monitored and reported to the Executive Committee and the Risk and Audit Scrutiny Forum in line with established practice.

3. Background

3.1. In recent months, officers have been carrying out a review of the Council's Top Risks. This was particularly relevant since the new Council Plan Connect (2012-2017) was approved in October 2012.

3.1. At a Heads of Service Forum in November 2012, a workshop session took place to identify proposals relating to top risks. The workshop considered the risks which had previously been identified relative to each of the objectives within the Council Plan Connect 2012-2017 and also provided an opportunity for feedback on any additional risks to be considered.

3.2. The results of the workshop helped inform proposals for a refined set of Council top risks. The feedback was used to rationalise and amalgamate risks as appropriate; to recommend a small number of additional risks; to review the risk descriptions as required; and to refresh risk scores based on controls identified.

3.3. Having reviewed the feedback on each of the risks, including residual risk scores, it was then possible to rank these and so reach a conclusion on top risks for the Council.

- 3.4. The content of this report provides the Forum with a summary of the process undertaken and how this led to the recommendations within this report.

4. Feedback from Heads of Service Forum

- 4.1. The outline of the top risks considered at the Forum had been compiled based on those risks previously identified, together with additional risks identified by Resources through discussion with the Risk Sponsors Group and Corporate Improvement Advisory Board. This involved some significant additions including Information Management, Employee Death or Injury and Welfare Reform.
- 4.2. Based on this updated list of potential top risks, the Heads of Service workshop groups were asked to review the risks associated with each of the objectives and to provide feedback. Appendix 1 shows the risks considered by the Forum against each of Connect objectives. For ease of reference each risk has been numbered.
- 4.3. The following broad criteria were recommended as a guide to concluding what constitutes a 'top risk', i.e:-
- Threatens delivery of corporate objective
 - Impacts on other services, partnerships
 - Financial impacts or impact on other key priority strategies
 - Impacts on social/demographic context
- 4.4. Feedback from the workshop informed the following changes:-
- Proposals for a small number of new risks, ie:-
 - Failure by the Council and partners to effectively contribute to addressing results of SIMD (Scottish Index of Multiple Deprivation)
 - Non achievement of educational attainment levels
 - Revision to some key risk titles
 - Revision to some risk descriptions
 - Revision to some inherent and residual risk scores
 - Amendments and additions to some controls and actions

5. Finalising Risk Detail

- 5.1. The Forum is now advised that 34 potential Council top risks were identified as a result of this review. Appendix 1 provides a summary of these risks linked to Connect objectives. Appendix 2 provides details of both the inherent and residual risk scores, assessment of adequacy of controls and numbers of risk controls and actions. Information within Appendix 2 shows risks being ranked based on order of highest residual risk scores.
- 5.2. Whilst there are 34 potential Council Top Risks, the Forum is asked to note that it is recommended that this is refined further and that those with residual risk scores of 7, 8 and 9 are taken as top risks for monitoring and reporting purposes. This reduces the number to 12 and is considered a more realistic number of significant top risks. The remaining 22 risks will however continue to be recorded on Figtree and progress monitored.
- 5.3. For these 12 top risks, summary information is included at Appendix 3 which provides a description of the risk together with examples of associated risk controls. This information has been taken from the individual risk control cards. The Forum is asked to note that detailed risk control cards are held for each of the 34 top risks.

6. Additional information

- 6.1. Having concluded the detail for each of the Council's top risks, an analysis was also undertaken to demonstrate their relevance in terms of Council priorities as well as Connect Measures of Success.
- 6.2. Of the 19 Connect objectives, 16 have top risks associated with them. This leaves three objectives with no top risks attached to them. In respect of Connect priorities, Appendix 4 shows that all Connect priorities are covered by the top risks.
- 6.3. A separate analysis was also carried out to determine how top risks were linked to the Measures of Success attributed to Connect objectives. This confirmed that for most top risks, Measures of Success were in place. This helps provide assurance that the actions identified to mitigate the risks will also contribute directly towards meeting the Connect measures of success and the wider Connect objectives.

7. Risk Appetite

- 7.1. The Council's Risk Management Strategy recommends that an ideal risk exposure would see no more than 20% of risks at a high level (ie residual risk score of 7,8 or 9) and around 30-40% at a low level (1, 2 or 3). Excessive high risk scores may be an indication of instability and excessive low risk scores may indicate lack of innovation.
- 7.2. At the present time, 35% (12) of the identified Council top risks scored 7, 8 or 9. Whilst this is higher than the recommended level noted within the Risk Management Strategy, this is due to the fact that the Council's top risks have been extracted for this exercise which, if they were subsumed in the wider list of all Council Resource risks, would be more likely to reflect the recommended risk appetite.

8. Next steps

- 8.1. The Forum is asked to note proposals in respect of 34 Council top risks and that details will be held within Figtree. Forum is asked also to note that progress should be formally reported on the 12 highest scoring risks (ie those with scores of 7, 8 or 9) and that progress reports will be presented to Executive Committee and this Forum in line with established practice.
- 8.2. This report will be presented to the Executive Committee for approval and, thereafter, to the Joint Consultative Forum for noting.

9. Employee Implications

- 9.1. Mitigation of top risks is the responsibility of nominated lead officers.
- 9.2. 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.

10. Financial Implications

- 10.1. There are no direct financial implications associated with this report. 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.

11. Other Implications

- 11.1. 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 Council top risks and to determine the risk controls and actions necessary enables the Council to manage the impact.
- 11.2. 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'.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. 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.
- 12.2. Consultation has taken place with Resources through the Heads of Service Forum and with officers from both the Corporate Improvement Advisory Board and Risk Sponsors Group.

Paul Manning

Executive Director (Finance and Corporate Resources)

25 March 2013

Link(s) to Council Values/Objectives

- All Council Plan Objectives

Previous References

- None

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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Potential Top Risks and Connect Objectives

Appendix 1

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	Potential Top Risks	services older people	vulnerable children, young, adults	road network – public trans	local economy - right conditions	disadvantage - deprivation	sustainable Council and communities	educational achievement - attainment	quality, access, avail housing	quality physical environ	lifelong learning	GIFREC	community safety	health increase physical activity	cultural activities - quality facilities	p/ship work, com l/ship + engagement	VSD	performance management + improvement	governance - accountability	Eff/effect use of resources
	Assets																			
1	Delays or significant changes to primary school modernisation programme							X												
2	Failure to deliver new/upgraded sheltered and amenity housing	X							X											
3	Failing to complete housing regeneration projects in priority neighbourhoods					X			X											
4	Failure to increase supply of new affordable housing								X											
5	Failure to address fuel poverty despite improving energy efficiency of homes within South Lanarkshire					X	X		X											
6	Corporate asset management plan not progressed																			X
	Reputation																			
7	Lack of change management and limited strategic direction																X			
8	Information management not subject to adequate control																		X	
	Operational Continuity and performance																			
9	Business continuity planning not complete or robust																X			
10	Death, neglect, or injury to vulnerable client	X	X									X								

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Summary of Scores and Controls Assessment

Appendix 2

Potential Top Risks	Inherent Risk Score	Residual Risk Score	Controls (Good, Adequate, Poor)	No. of controls	No of actions	Ranking
Information management not subject to adequate control	9	9	Poor	7	3	1
Reduction in income generated by the Council	9	8	Adequate	25	1	2
Effects of implementation of Welfare Reform legislation	9	8	Adequate	8	1	3
Failure to demonstrate continuous improvement	9	8	Adequate	15	2	4
Fraud, theft and organised crime	9	8	Adequate	13	2	5
Reduced funding and savings difficulty	9	7	Adequate	6	1	6
Failure to implement community safety, anti social behaviour strategy and security strategy	9	7	Adequate	9	1	7
Failure to increase supply of new affordable housing	9	7	Adequate	20	1	8
IT development and functionality does not meet service requirements	9	7	Adequate	15	1	9
Reduction in political consensus	9	7	Adequate	9	2	10
Poor contracts management	9	7	Adequate	12	2	11
Climate change and adverse weather	9	7	Good	12	2	12
Lack of change management and limited strategic direction	9	6	Good	11	1	13
Failing to complete housing regeneration projects in priority neighbourhoods	9	5	Adequate	15	0	14
Failure to address fuel poverty despite improving energy efficiency of homes within South Lanarkshire	9	5	Adequate	17	0	15
Corporate asset management plan not progressed	9	5	Adequate	6	0	16
Business continuity planning not complete or robust	9	5	Adequate	9	0	17
Failure by the Council and partners to effectively contribute to addressing results of SIMD	9	5	Adequate	7	0	18
Failure to deliver new/upgraded sheltered and amenity housing	8	5	Adequate	14	0	19
Procurement practice and processes fail to meet statutory requirements and best practice principles	8	5	Adequate	18	0	20
Tough carbon reduction and sustainability targets	9	5	Adequate	15	2	21
Governance gaps	9	5	Adequate	9	3	22
Poor partnership/joint working arrangements	9	5	Adequate	8	5	23
Delays or significant changes to primary school modernisation programme	9	5	Good	21	0	24
The long term affordability of the secondary schools PPP contract	9	5	Good	10	0	25
Lack of capacity and skills to meet increased service demands	8	5	Good	13	0	26
Weakened Trade Union and Employee relations	7	5	Good	14	0	27
Effects of new legislation	9	5	Good	12	1	28
Financial strategy not informed by service planning and does not take account of demographic change and demand for services.	9	4	Adequate	20	1	29

Potential Top Risks	Inherent Risk Score	Residual Risk Score	Controls (Good, Adequate, Poor)	No. of controls	No of actions	Ranking
Death or injury to employees	7	4	Adequate	6	1	30
Failure to meet the Scottish Housing Quality Standard by 2015	7	4	Good	7	0	31
Equal pay claims	5	4	Good	20	0	32
Death, neglect, or injury to vulnerable client	9	2	Good	11	1	33
Non achievement of educational attainment levels	5	1	Good	6	0	34

Residual Risk Score	No. of Risks
9	1
8	4
7	7
6	1
5	15
4	4
3	-
2	1
1	1
Total	34

Examples of risk controls and actions for Council's 12 Top Risks

Rank	Risk	Controls
1	Information management not subject to adequate control	<ul style="list-style-type: none"> • Awareness raising and Data protection Training • Security policy • Information Governance Group
2	Reduction in income generated by the Council	<ul style="list-style-type: none"> • Effective monitoring of industrial/commercial properties – flexible leases to generate interest and increased marketing • Review of service charges • Regular reviews undertaken of Council Tax Discount and Exemption entitlements to ensure maximum amounts due are raised
3	Effects of implementation of Welfare Reform legislation	<ul style="list-style-type: none"> • Corporate Welfare Reform Officer Working Group established • Preparation of detailed Risk Register in respect of Welfare Reform Act implications • 'Benefits are Changing' team set up to ensure direct contact with tenants affected by changes.
4	Failure to demonstrate continuous improvement	<ul style="list-style-type: none"> • Year on year IMPROVe results analysis and remedial action • Strategic Framework for Improvement
5	Fraud, theft and organised crime	<ul style="list-style-type: none"> • Active National Fraud Initiative participant • Benefits anti fraud strategies and dedicated anti fraud team
6	Reduced funding and savings difficulty	<ul style="list-style-type: none"> • Systematic approach to savings identification and prioritisation • Regular updates of financial strategy and projections to Executive Committee
7	Failure to implement community safety, anti social behaviour strategy and security strategy	<ul style="list-style-type: none"> • Community Safety and ASB Performance Management & Audit Framework in place and subject to ongoing monitoring • Joint problem solving approach with partner agencies in place
8	Failure to increase supply of new affordable housing	<ul style="list-style-type: none"> • Local Housing Strategy and Strategic Housing Investment Plan • Joint working with private rented sector, for example Landlord accreditation and Lead Tenancy Scheme • Scottish Government grant funding for new build including innovation and investment
9	IT development and functionality does not meet service requirements	<ul style="list-style-type: none"> • ICT Project Board authorisations for all Service Plan commitments and unplanned work • Dedicated IT Development Fund • Testing of IT system recovery and business continuity
10	Reduction in political consensus	<ul style="list-style-type: none"> • Decision making/scrutiny arrangements and procedures, including all supporting documentation, agreed by Council. • Established protocols for multi-member ward working/communication

Rank	Risk	Controls
11	Poor contracts management	<ul style="list-style-type: none"> • Sourcing methodology includes SLC expectations from contractors • Standing Orders have been refreshed to reflect contract arrangements • Guidance on new legislation including the Bribery Act and the linkages with Procurement issued by Legal Services
12	Climate change and adverse weather	<ul style="list-style-type: none"> • Dedicated Flood Prevention Officer and Team • Annual reviews of winter weather procedures undertaken

Summary of Risks linked to Connect priorities

Appendix 4

Risk coverage of Connect Priorities

	Priority	Risk Reference
A	Improve services for older people	2,10,12
B	Protect vulnerable children, young people and adults	10,12,24
C	Improve road network and influence improvements in public transport	20
D	Support the local economy by providing the right conditions or growth, improving skills and employability	12,23
E	Tackle disadvantage and deprivation	3,5,14
F	Develop a sustainable Council and communities	5,11,20,21
G	Raise educational achievement and attainment	1,15,18
H	Improve the quality, access and availability of housing	2,3,4,5,24,30
I	Strengthen partnership working, community leadership and engagement	12,14,33

	Potential Top Risks	Link to Connect Priority
	Assets	
1	Delays or significant changes to primary school modernisation programme	G
2	Failure to deliver new/upgraded sheltered and amenity housing	A,H
3	Failing to complete housing regeneration projects in priority neighbourhoods	E,H
4	Failure to increase supply of new affordable housing	H
5	Failure to address fuel poverty despite improving energy efficiency of homes within South Lanarkshire	E,F,H
6	Corporate asset management plan not progressed	-
	Reputation	
7	Lack of change management and limited strategic direction	-
8	Information management not subject to adequate control	-
	Operational Continuity and performance	
9	Business continuity planning not complete or robust	-
10	Death, neglect, or injury to vulnerable client	A,B
11	Financial strategy not informed by service planning and does not take account of demographic change and demand for services	F
12	Poor partnership/joint working arrangements	A,B,I,D
13	Failure to implement community safety, anti social behaviour strategy and security strategy	-

	Potential Top Risks	Link to Connect Priority
14	Failure by the Council and partners to effectively contribute to addressing results of SIMD	E,I
15	Non achievement of educational attainment levels	G
	Financial	
16	Reduced funding and savings difficulty	-
17	Reduction in income generated by the Council	-
18	The long term affordability of the secondary schools PPP contract	G
	Political	
19	Reduction in political consensus	-
	Environmental	
20	Climate change and adverse weather	C,F
21	Tough carbon reduction and sustainability targets	F
	IT	
22	IT development and functionality does not meet service requirements	-
	Regulatory and legislative	
23	Procurement practice and processes fail to meet statutory requirements and best practice principles	D
24	Effects of implementation of Welfare Reform legislation	B,H
25	Effects of new legislation	-
26	Fraud, theft and organised crime	-
27	Poor contracts management	-
28	Governance gaps	-
29	Failure to demonstrate continuous improvement	-
30	Failure to meet the Scottish Housing Quality Standard by 2015	H
	People	
31	Equal pay claims	-
32	Death or injury to employees	-
33	Weakened Trade Union and Employee relations	I
34	Lack of capacity and skills to meet increased service demands	-