

# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>31 October 2023</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Year End Risk Management Report (2022/2023) and Review of Council's Top Risks (2023/2024)</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide the Risk and Audit Scrutiny Committee (RASC) with an update on progress with risk management activity undertaken during 2022/2023
- ◆ provide an update on the council's top risk register following the review and consultation process

## 2. Recommendation(s)

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

- (1) that Resource compliance with the requirements of the Risk Management Strategy be noted;
- (2) that the progress being made in delivering actions to mitigate top Council risks be noted; and
- (3) that the updated Council's top risks be 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 Committee on 25 October 2022. This year's full review commenced in April 2023. The consultation involved views being sought from Heads of Service, elected members and trades unions on new areas of risk.

3.2. The results of the work undertaken was considered and used to 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 Committee with recommendations in respect of the review these risks.

## 4. Resource compliance with the Risk Management Strategy

4.1. Risk Sponsors are required on an annual basis to assess Resource compliance with the Risk Management Strategy and provide supporting evidence. The information for 2022/2023 is summarised in the end of year compliance statement which is attached at Appendix 1.

4.2. Appendix 1 shows that Resources continue to demonstrate full compliance with the Strategy, having scored 45 out of 45.

- 4.3. It is important that the current level of compliance is maintained to demonstrate effective risk management which contributes to robust service planning and improved decision making.
- 5. Progress made in delivering actions to control the Council's top risks**
- 5.1. As at 31 March 2023, the percentage of actions completed on the 2022/2023 risk control plan was 60 per cent against an overall target of 90 per cent. Remaining actions have been carried forward.
- 5.2. Table 1 below shows the overall status as at 31 March 2023 for all actions relating to the council's top risk register.

**Table 1 – Completion of top risk control actions**

Action status	Number of actions	Percentage of actions
Complete	9	60%
Carried forward to 2023/2024	6	40%
<b>Total</b>	<b>15</b>	<b>100%</b>

- 5.3. Actions identified during this year's review have been included within the 2023/2024 top risk control plan. This contains a total of 18 actions.

**6. Results of the review of the Council's top risks**

- 6.1. 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

- 6.2. Risks from last year's review, as detailed in the report to the Committee on 25 October 2022, were mostly deemed to be still valid. The main changes to the top risks are summarised below:-

- ◆ 5 new risks have been added:-
  - ◆ the Council fails to deliver the outcomes of the Economic Strategy
  - ◆ implications of the Scottish Fire and Rescue Service Unwanted Fire Alarm Signals Policy within the Council's non-domestic estate
  - ◆ failure to comply with or meet the expected standards, scrutiny levels, or improvement as identified by regulatory bodies
  - ◆ third and private sector market capacity. The market has a level of fragility which means that there may be reduced choice to meet demand for services. Providers are potentially unable to sustain their business models, which could result in a deterioration in service standards and provider closures, with the council requiring to source alternative service provision. Examples include private sector care homes, care at home services, nurseries and housing providers
  - ◆ inability to maintain infrastructure, assets and properties in a safe and well-maintained condition due to budget constraints and failure to achieve objectives of asset and property reviews
- ◆ the risk description on 'Funding' has been updated, to highlight that there will be continued pressures, which will require significant change and consideration of

risk appetite, if we are required to manage services and demand with a diminishing resource

- ◆ the 'National Care Service Bill' risk has reduced from 16 to 12 given the lack of development at present, with the deadline for debating the Bill now delayed until next year. It has also recently been reported that an agreement has now been reached that means National Care Service staff will continue to be employed by councils, rather than transferring to new care boards. Councils will also be responsible for buildings and the delivery of services. This agreement significantly alters the risk and uncertainty faced previously
- ◆ the risk score for 'refugee resettlement and the asylum seeker dispersal programmes' has increased from 12 to 16, to reflect the difficulties faced by the council in managing the risk. This has been exacerbated by demands from other high need groups including homeless households. Whilst new arrival numbers have reduced over recent months, future demand is difficult to predict
- ◆ the 'Public Protection' risk score has increased from 12 to 16 to reflect capacity issues and local workforce supply challenges; and increased levels of service disruption to the Community Alarms service
- ◆ IT developments and functionality – no change to the overarching top risk, however, there are three significant IT projects which continue to be progressed at present for the Integrated Housing Management System, the SWIS+ replacement and Fusion. Appropriate arrangements are in place to record and manage risks for each of these projects
- ◆ adverse weather risk has been updated to cover potential damage to Council properties and housing stock from weather related events
- ◆ the 'health, safety and wellbeing of employees' risk card removes reference to the increased requirements due to the pandemic
- ◆ whilst there has been no change to the 'Community Wealth Building Strategy' risk, an update of the Community Wealth Building risk register will be undertaken during 2023/2024

6.3. The Council's top risk register is monitored on an ongoing basis and updates are reported annually to this Committee. Risk scores and rankings may be amended if new information comes to light that allows the position to be reassessed.

6.4. As a result of the above changes and taking account of the revision of risk scores, the top risk register for 2023/2024 is attached at Appendix 2.

## **7. Horizon scanning**

7.1. Through wider analysis, several areas that could pose potential threats and risks or are emerging issues and opportunities that could affect the Council were identified. Areas identified are listed below:-

- ◆ COVID-19 National Inquiry  
A public inquiry into the handling of Coronavirus (COVID-19) in Scotland commenced late July 2023. It is envisaged that as the Inquiry progresses, the Council will receive a number of Section 21 notices, which will be time intensive in responding to.
- ◆ Martyn's Law  
On 19th December 2022, the UK Government announced details of draft legislation called 'Protect Duty.' It followed the tragic events of the Manchester arena terrorist attack in which 21 people sadly lost their lives. This legislation has become known as Martyn's law, in tribute of Martyn Hett, who was amongst the 21 victims.

The aim of Protect Duty is to create and implement measures to increase public safety at certain venues, defined as publicly accessible locations. This is intended to improve protective security at public venues by bringing about overall awareness of terrorism, delaying attackers progress and assisting the emergency services.

- ◆ Health and Care (Staffing) Act 2019 (Effective from 1 April 2024)  
The Act places duties on health boards and care providers to ensure services have a suitably qualified and competent workforce, a range of professional disciplines, and appropriate staffing levels that will deliver high quality care to support the health, wellbeing and safety of people using services.

The Act was passed by Parliament in 2019 but implementation was paused due to the pandemic. All the provisions within the Act will come into force at a time when providers are facing recognised national and local workforce supply challenges, along with an ageing workforce, recruitment, selection, and retention issues which are impacting on safe staffing levels.

- 7.2. These areas will continue to be monitored to ensure that the council is adequately prepared to respond where required.

## **8. Three lines model**

- 8.1. A model has been developed by the Institute of Internal Auditors which aims to provide assurance of the adequacy of control measures that are in place for strategic risks.
- 8.2. The intention of the model is to ensure that top risks are mitigated through ‘three lines of defence’, which are:-

Line 1 – Control by operational management

Line 2 – Control and compliance by functions that have an oversight role (for example Risk Management)

Line 3 – Independent assurance

- 8.3. A process to categorise controls that mitigate top risks using the ‘three lines of defence’ model was ongoing throughout 2022/2023 and will now conclude in 2023/2024.
- 8.4. The current process of review is sufficiently robust to both identity risks and the controls that mitigate but further analysis of the controls, using this model, aims to highlight any residual gaps and identify whether control descriptions need amendment to clearly link these to the mitigation of the risk. The development of this model will assist with the management of the Council’s strategic risks and inform the assurance mapping exercise that forms part of annual audit planning process.

## **9. Scope and appetite for risk**

- 9.1. 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.
- 9.2. 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.
- 9.3. 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

9.4. Table 2 below shows the top risks heat map, i.e., it details the total number of risks for each individual risk score. Table 3 below notes the overall risk profile for the top risks.

**Table 2 – Top risks heat map**

<b>Likelihood</b>	<b>5</b> Almost certain				<b>3</b>	
	<b>4</b> Likely			<b>3</b>	<b>6</b>	
	<b>3</b> Possible			<b>5</b>	<b>5</b>	<b>1</b>
	<b>2</b> Unlikely				<b>3</b>	
	<b>1</b> Rare					
		<b>1</b> Negligible	<b>2</b> Minor	<b>3</b> Moderate	<b>4</b> Major	<b>5</b> Catastrophic
		<b>Impact</b>				

**Table 3 –Top risks risk profile**

<b>Risk category</b>	<b>Risk rating</b>	<b>Number of risks</b>	<b>Percentage of risks</b>
<b>1</b>	Very high	10	38.5%
<b>2</b>	High	16	61.5%
<b>3</b>	Medium	0	-
<b>4</b>	Low	0	-

9.5. Despite the fact that the profile noted in Table 3 is out with the ideal universal risk exposure defined by the Risk Management Strategy, this risk exposure is reasonable as these are the highest level risks currently being faced by the Council.

9.6. The main changes to the risk profile from last year are:-

- ◆ 2 new very high risks have been added to the top risk register, “Failure to comply with or meet the expected standards, scrutiny levels, or improvement as identified by regulatory bodies”; and “Changes in the response to automatic fire alarms by the Scottish Fire and Rescue Service (SFRS) within the Council’s non-domestic estate”
- ◆ 3 new high risks have been added to the top risk register, “The Council fails to deliver the outcomes of the Economic Strategy”, “Third and private sector market capacity”, and “Inability to maintain infrastructure, assets and properties in a safe and well-maintained condition due to budget constraints and failure to achieve objectives of asset and property reviews”
- ◆ 3 risks have moved from being high up to very high, “The Council fails meet statutory and legislative duties in respect of public protection”; “The Council does not fully deliver the strategic outcomes required of the Integration Joint Board (IJB) as outlined in their Strategic Commissioning Plan”; and “Inability of the Council to effectively balance the provision of accommodation and support to households who arrive in South Lanarkshire as part of refugee resettlement and the asylum seeker dispersal programmes, including those for unaccompanied children, whilst also meeting demands from other high need groups including homeless household”

- ♦ one risk has moved from being very high down to high, “The Council is materially affected by the implications arising from the National Care Service Bill”.

9.7. The number of very high risks has increased from 6 to 10 from last year, with the vast majority of risks on the top risk register remaining in the high bracket. There are currently 16 risks scored at this level, 2 more than last year.

## **10. Employee Implications**

10.1. There are no direct employee implications relative to this report. There are 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.

## **11. Financial Implications**

11.1. 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.

## **12. Climate Change, Sustainability and Environmental Implications**

12.1. There are no direct implications associated with the council's top risks. There are a number of proposed risks which are classified under the heading of Environmental. Where this is the case, the appropriate controls and actions have been included in the risk control cards and progress will be monitored.

12.2. Sustainable development issues are included within the council's top risk register as a standalone top risk and also through risks being linked directly to the council plan outcomes 'Caring, connected, sustainable communities' and 'Good quality, suitable and sustainable places to live.'

## **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 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.

## **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 an existing policy, function or strategy and, therefore, no impact assessment is required.

14.2. 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)**

3 October 2023

## **Link(s) to Council Values/Priorities/Outcomes**

- ♦ Accountable, effective, efficient and transparent

**Previous References**

- ◆ Risk and Audit Scrutiny Committee – Review of Council's Top Risks/Year End Risk Management Report – 25 October 2022

**List of Background Papers**

- ◆ Top Risk Control Cards

**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](mailto:craig.fergusson@southlanarkshire.gov.uk)

## Appendix 1 – 2022/2023 compliance with risk management strategic requirements

### Key

Score 3= Up to date and in line with requirement

Score 2= Work in progress

Score 1= Needs addressed

Requirement from Risk Management Strategy	Community and Enterprise Resources	Education Resources	Finance and Corporate Resources	Housing and Technical Resources	Social Work Resources
Risk registers are updated on an annual basis, in line with the council's Risk Management Strategy	3	3	3	3	3
Where appropriate, council top risks are adequately reflected in the Resource risk register	3	3	3	3	3
Delivery of Resource risk control actions and control actions for top risks lead by the Resource are progressed.	3	3	3	3	3
The risk register and risk control plan are approved annually by the Resource Management Team	3	3	3	3	3
The risk register is presented for noting; and assurance of delivery of actions is given to the Resource Committee on an annual basis.	3	3	3	3	3
Information held on Figtree reflects the latest Resource Risk Register and Risk Control Plan	3	3	3	3	3
The council's agreed risk profile and risk tolerance level is adopted.	3	3	3	3	3
Risk evaluations are undertaken prior to the commencement of major projects, partnerships and organisational changes	3	3	3	3	3
Formal risk sharing agreements for major partnerships and contracts are in place	3	3	3	3	3
Major decisions are transparent and clearly show the following key elements: <ul style="list-style-type: none"> <li>• Full cost over life of proposal;</li> <li>• Funding source;</li> <li>• Savings or efficiencies;</li> <li>• Other benefits;</li> <li>• Associated risks and how they will be managed.</li> </ul>	3	3	3	3	3
Elected members are kept informed of risks by using the "Other Implications" section of the Committee report template. This section should include: <ul style="list-style-type: none"> <li>• The risks involved with the report's recommendations;</li> <li>• The potential positive and negative consequences;</li> <li>• How these risks are currently being managed (existing controls) or how they will be managed going forward (additional actions);</li> <li>• Link to risks on the council's top risk register.</li> </ul>	3	3	3	3	3
Assurance is gained from contractors and sub-contractors, in line with procurement processes, of their adoption of recommended risk management practices, particularly that adequate insurance cover, safe health and safety practices, and equalities, sustainable development, business continuity and scrutiny procedures are in place.	3	3	3	3	3
Regular Resource Risk Management Group meetings (or alternative where risk management is a standing agenda item).	3	3	3	3	3
Liaison with Service Planners to ensure that risks associated with council and Resource plans are identified and assessed; and that appropriate plans are put in place to manage these risks.	3	3	3	3	3
Management of insurance hotspots and required mitigating actions	3	3	3	3	3
<b>Total</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>
<b>Percentage compliance</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



## Appendix 2 – Council top risk register 2023/2024

Risk Category	Key risk	Inherent Risk Score	Residual Risk Score	Controls (Good, adequate, poor)
<b>1 Very High (15-25)</b>	Reduction in external funding and fees/income received by the Council, as well as the increased demand for services and increased cost of services including impact of price increases and inflation, results in increasing budget gaps.	25	20	Adequate
	The Council is unable to support households most impacted by the cost-of-living crisis resulting in increasing levels of poverty, debt, and damage to health	25	20	Adequate
	Failure to comply with or meet the expected standards, scrutiny levels, or improvement as identified by regulatory bodies *	25	20	Adequate
	Implications of the Scottish Fire and Rescue Service (SFRS) Unwanted Fire Alarm Signals Policy within the Council's non-domestic estate *	25	16	Adequate
	The Council fails meet statutory and legislative duties in respect of public protection	20	16	Good
	The Council does not fully deliver the strategic outcomes required of the IJB as outlined in their Strategic Commissioning Plan	20	16	Good
	The provision of council services is disrupted because of industrial action	20	16	Adequate
	Inability of the Council to effectively balance the provision of accommodation and support to households who arrive in South Lanarkshire as part of refugee resettlement and the asylum seeker dispersal programmes, including those for unaccompanied children, whilst also meeting demands from other high need groups including homeless household	20	16	Good
	The Council fails to deliver the objectives of the Community Wealth Building Strategy	20	16	Good
	Inability to meet sustainable development and climate change objectives and timescales in such a way to support a fair and just transition	20	15	Good
<b>2 High (8-12)</b>	Failure to fulfil emergency response commitments befitting the Council's status as a Category One (emergency) responder	25	12	Adequate
	Third and private sector market capacity. The market has a level of fragility which means that there may be reduced choice to meet demand for services. Providers are potentially unable to sustain their business models, which could result in a deterioration in service standards and provider closures, with the Council requiring to source alternative service provision. *	25	12	Good
	The Council does not have the appropriate emergency/business continuity plans; contingency	25	12	Good

	arrangements or partnerships in place to respond to/or recover from a pandemic/endemic event.			
	Procurement activity is affected by supply chain issues; a lack of resources; non-compliance or legal challenge	25	12	Good
	Fraud, theft, organised crime and cyber attacks	20	12	Adequate
	Information governance not subject to adequate control	20	12	Adequate
	Historic childhood abuse	16	12	Good
	The Council is materially affected by the implications arising from the National Care Service Bill	16	12	Adequate
	IT development and functionality does not support service delivery to secure efficiencies	20	9	Adequate
	Lack of capacity and skills to meet increased service demands	20	9	Good
	Inability to maintain infrastructure, assets and properties in a safe and well-maintained condition due to budget constraints and failure to achieve objectives of asset and property reviews. *	16	9	Good
	Increasing levels of adverse weather	16	9	Good
	The Council fails to deliver the outcomes of the Economic Strategy *	12	9	Adequate
	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	20	8	Good
	Failure to achieve the outcomes of the Community Plan	20	8	Adequate
	Failure to achieve the outcomes of the Council Plan	16	8	Adequate

‘\*’ indicates new risk added this year