SOUTH LANARKSHIRE COUNCIL

Report

Report to:	**Risk and Audit Scrutiny Forum**
Date of Meeting:	**24 January 2018**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Review of the Council's Top Risks**

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 the updated Council 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. This year's comprehensive review commenced in May 2017. This entailed a series of meetings with risk lead officers to update top risks and views being sought from Heads of Service, Elected Members and Trade Unions on new areas of risk. Risk control cards were updated, where required.

3.2. The results of the work undertaken have now been considered and used to help 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 Risk and Audit Scrutiny Forum with findings of the review in respect of these risks.

4. Results of the Review of the Council's Top Risks
4.1. 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

4.2. On the whole, the risks from last year's review, as detailed in the report to the Risk and Audit Scrutiny Forum on 31 January 2017, were still deemed to be valid.

4.3. The main changes to the top risks are summarised below:-
- ♦ New top risks included in top twenty in respect of:-
  - • Potential liability arising from claims of historic abuse
  - • Failure to deliver the Council's "Homes+" council house new build programme
- ♦ The Equal Pay risk level has reduced and has, therefore, dropped out of the current top twenty risks
- ♦ The risks associated with poor Governance and Continuous Improvement have been merged
- ♦ Partnership working; failure to make communities safer and stronger and tackling poverty risks merged into 'Failure to work with key partners to achieve the outcomes of the Local Outcome Improvement Plan'
- ♦ 'Financial strategy not informed by service planning' risk has entered the top twenty risks
- ♦ Comprehensive updated risk descriptions

4.4. The Council's top risk register is monitored on an ongoing basis. Risk scores may be amended if new information comes to light that allows the position to be reassessed.

4.5. As a result of the above changes, and taking account of revisions to risk scores, the top risk register for 2017/2018 is attached at Appendix One. Risk control cards for top risks detailing full risk descriptions (root cause, trigger and impact) are also maintained.

4.6. Within Appendix One, category one and two relate to high level risks. Category three and four are medium level risks.

4.7. To maintain focus on the higher scored risks, those risks with a low residual risk score have been excluded. These risks will continue to be monitored to ensure that they are adequately managed.

5. Top Risk Comments/Developments
5.1. Over the last year, there have been significant developments on two key risk areas. The paragraphs below provide some background and explain how the Council's position is likely to be affected by developments in these areas.

5.2. **Potential Liability Arising from Claims of Historic Abuse**
5.2.1. The Scottish Child Abuse Inquiry is looking at the abuse of children in care and it was set up on 1 October 2015. The Inquiry will raise public awareness of the abuse of children in care.

5.2.2. The Limitation (Childhood Abuse) (Scotland) Act 2017 came into effect on 4 October 2017 and removes the three year limitation period to intimate claims.

5.2.3. It is anticipated that the Council will receive a number of claims for historic childhood abuse as a result of publicity surrounding the Inquiry and the introduction of the new Act.

5.2.4. The Council has in place a Historical Abuse Working Group that meets on a regular basis to progress any work generated by the Inquiry.

5.3. **Failure to Fulfil Emergency Response Commitments Befitting the Council's Status as a Category One (Emergency) Responder**
5.3.1. Terrorism incidents continue to take place around the world on a regular basis. In 2003, the UK Government established the Joint Terrorism Analysis Centre (JTAC),

which comprises counter terrorism specialists drawn from the Police and key Government departments including the Security Services. Collectively, they monitor global terrorism trends, networks and capabilities and advise current threat levels through the UK threat level system. The current threat level within the UK remains at 'Severe', meaning an attack is considered highly likely.

5.3.2. The Council, as a provider of public services, an employer, Category One Emergency Responder (as defined by the Civil Contingencies Act (2004)) and Specified Authority (as defined by Section 26 of the Counter Terrorism and Security Act (2015)) has a significant role to play in ensuring it can deliver support to its communities and partner agencies if there is an escalation in the threat level, in responding to acts of terrorism or known threats and in preventing people being drawn into supporting terrorism. The Council addresses these issues through interaction with the Police and other partners in Regional and Local Resilience Partnerships, Local Strategic CONTEST Group and the Council's Emergency Management Team and internal CONTEST Group.

5.3.3. The Council has a further role in raising awareness and training staff and has put in place e-learning modules on 'Protect Against Terrorism' and 'Security Awareness'. A series of Counter terrorism workshops has also been run in conjunction with Police Scotland earlier in 2017.

6. Horizon Scanning

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

6.2. Education Governance Review

6.2.1. The Governance Review is one of the most significant legislative reforms that will impact on the future delivery of education in Scotland with devolved powers to schools and changes to roles of the national and local government. Developments with the Government's Education Governance Review are being monitored.

6.3. Brexit

6.3.1. There is still a lot of uncertainty following the EU referendum in June 2016 and the Council continues to monitor the position with Brexit.

6.4. Other Education Risks

6.4.1. Further Education Resources related risk areas considered as part of the top risk review include:-

♦ Governance arrangements in relation to the Pupil Equity Fund spend
♦ Violence at Work
♦ Failure to meet capacity required for 1,140 hours Early Years Learning and Child Care expansion

6.4.2. The three areas detailed above are captured within the existing top risks on 'Continuous improvement, good governance and organisational effectiveness'; 'Death or injury to employees' and 'Lack of capacity and skills' respectively.

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. A comparison of risk exposure for the Council's top risks between 2016/2017 and 2017/2018 is detailed in Table One below. This includes low level risks outwith the top twenty risks noted at Appendix One.

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

Residual risk score	2016/2017		2017/2018	
	Number of risks	Percentage of risks	Number of risks	Percentage of risks
High (7, 8 or 9)	9	33.3%	10	40%
Medium (4, 5, or 6)	15	55.6%	10	40%
Low (1, 2, or 3)	3	11.1%	5	20%
	27	100.0%	25	100%

7.5. Despite the fact that the risk exposure is outwith the ideal risk exposure defined by the risk management strategy, there has been a slight improvement from the previous year with a higher proportion of risks categorised as low.

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.

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.

10. Other Implications

10.1. 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.

10.2. 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'.

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, Risk Lead Officers, Elected Members, Trade Unions and Resource Risk Sponsors.

Paul Manning
Executive Director (Finance and Corporate Resources)

4 January 2018

Link(s) to Council Values and Objectives
♦ Values: Accountable Effective and Efficient

Previous References
♦ Risk and Audit Scrutiny Forum, 31 January 2017

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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Appendix One - Council Top Risk Register 2017

Risk Category	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (Good, adequate, poor)
One	Reduction in Council funding, resulting in difficulties maintaining front line services	9	8	• Embedded structure and systematic approach to savings identification and prioritisation • Robust processes in place to report annual budget and council tax proposals to elected members • Four weekly monitoring and reporting of financial performance	Adequate
Two	Potential liability arising from claims of historic abuse	7	7	• Cross Council steering group established, and meets on a regular basis • Review of historical records pertaining to Section 21 notices received completed within timescales • Exercise to identify predecessor authorities insurance policies undertaken	Adequate
	Failure to maintain the required pupil/teacher ratio	9	7	• Continuous monitoring of expected school staffing requirements; estimated pupil numbers including S5 and S6; and update of records with SEEMiS • Ongoing recruitment adverts and offers of permanent cover posts in order to compete with	Adequate

Risk Category	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (Good, adequate, poor)
				other local authorities	
	Information management not subject to adequate control	9	7	• Awareness raising – Management bulletins, team briefs and toolbox talks • Information Governance Group in place • Confidential waste policy	Adequate
	Fraud, theft, organised crime and cyber attacks	9	7	• Anti-fraud and Corruption Strategy, Fraud Response, Whistle-blowing procedures for third parties • Information sharing protocols between Council and Police Scotland • The Council is an active National Fraud Initiative participant	Adequate
	Failure to achieve results and demonstrate continuous improvement, through leadership, good governance and organisational effectiveness	9	7	• Council Plan, Connect in place, with reviews undertaken on a regular basis • Preparation of Annual Performance Report • Empower self-assessment activity and associated improvement plans	Good
	Failure to work with key partners to achieve the outcomes of the Local Outcome Improvement Plan	9	7	• Partners signed up to Community Plan / LOIP • Partnership Progress group established • Community Planning Risk	Adequate

Risk Category	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (Good, adequate, poor)
				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	
	The Council is not sufficiently prepared to deliver the Integration Joint Board Strategic directions set out in the Strategic Commissioning Plan 2016-19	9	7	• Chief Officer and Senior Management Team in post • Strategic Commissioning Plan 2016-19 approved • IJB directions issued to Council and NHS Board annually	Adequate
	Increasing levels of adverse weather	9	7	• Dedicated Flood Risk Management Team • Winter Weather Procedures, Winter Service Policy and Operations Manual updated annually • Remote monitoring of high risk flooding sites using telemetry solutions	Good
Three	Implementation of Self Directed Support	8	5	• A Self Directed Support (SDS) Implementation Board that has strategic oversight of all SDS related activity has been established • Service Development Manager acts as the Council's lead	Good

Risk Category	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (Good, adequate, poor)
				officer for SDS and co-ordinates the Council's activities • Staff training undertaken in relation to both co-produced assessment and outcomes based support planning	
	Procurement practice and management of contracts	8	5	• Procurement Strategy and Action Plan, with progress reported to CMT • Centralised procurement function, which allows greater control and scrutiny • Standard Terms and Conditions of Contract used	Good
	Failure to meet the Council's sustainable development and climate change objectives	9	5	• Sustainable development is embedded within the Council Plan, Connect • The Sustainable Development Member Officer Working Group is responsible for the implementation of the Council's Sustainable Development and Climate Change Strategy 2017-22. • Carbon Management Group meets regularly and a Carbon Management Plan is in place	Good
	IT Development and functionality does not meet service requirements	7	5	• Major IT investments, in support of Priority Themes, include a comprehensive business case.	Adequate

Risk Category	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (Good, adequate, poor)
				• Dedicated IT development fund • Testing of IT system recovery and business continuity	
	Lack of capacity and skills to meet increased service demands	8	5	• Performance Development Review (PDR) Process • Workforce Strategy • Centralised recruitment and targeted training including e-learning	Good
	Failure to fulfil emergency response commitments befitting the Council's status as a Category One (emergency) responder	9	5	• Established contingency planning methodology integrating civil protection and business continuity arrangements • Multi-agency partnership working through Local and Regional Resilience Partnerships	Adequate
	Failure to deliver City Deal projects and realise anticipated economic benefits	9	5	• Formal City Deal document in place • Assurance framework • Infrastructure working group in place • Strategic level group in place	Good
Four	Death or injury to employees, service users or members of the public affected by Council Operations	9	4	• Occupational Health and Safety Management System embedded throughout the Council • Resource and Service Health and Safety Groups meet on a	Good

Risk Category	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (Good, adequate, poor)
				regular basis in all Resources	
	New and amended legislation	9	4	• Participation of Council solicitors on some SOLAR/ASB/Officer groups and other working groups regarding implementation of new legislation • Changes triggered by legislation included in Resource plans	Adequate
	Failure to deliver the Council's "Homes+" Council house new build programme	9	4	• Regular updates to the Housing and Technical Resources Committee • Strategic Housing Improvement Plan approved • Detailed project plans in place	Good
	Financial strategy not informed by service planning	9	4	• Medium/Long term financial strategy prepared with annual reviews • Demographic and inflationary pressures included within medium term financial strategy • Investment aligned with Connect priorities	Adequate