Report

Report to:	**Finance and Corporate Resources Committee**
Date of Meeting:	**16 November 2022**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Update of the Finance and Corporate Resources Risk Register and Risk Control Plan**

1. Purpose of Report

1.1. The purpose of the report is to: -

♦ present 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 twenty-five (low – very high).

3.4. Risks are scored on their inherent score (risk if we do nothing) and their residual risk (risk after applying controls). The Council's scoring matrix is attached at Appendix 1.

3.5. The last update of the Finance and Corporate Resources Risk Register was reported to Committee on 10 November 2021.

3.6. The Resource's top risk register and risk control plan has been reviewed. This work was completed in August 2022.

3.7. The Central Risk Management team annually review Resource compliance with the Risk Management Strategy. The outcome of the 2021/2022 review identified that Finance and Corporate Resources achieved 100 per cent compliance, scoring 45 out of a possible 45.

4. Resource Risk Management

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 regular 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 considered 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 considering new information.

5.3. Risks can result from internal or external influences, with examples being the impact of projected funding cuts, 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 register are summarised below:-

- Five new risks have been added
  - The Council is unable to support households significantly impacted by the cost of living crisis, resulting in increasing levels of poverty, debt, and damage to health
  - Disruption to council services as a result of industrial action
  - The Council fails to deliver the objectives of the Community Wealth Building Strategy
  - Failure to achieve the outcomes of the Council Plan
  - The Council is materially affected by the implications arising from the National Care Service Bill
- The 'EU Exit' risk has been removed as this is no longer considered a significant issue for the Resource
- The risk description on 'Funding' has been updated, to reflect the level of Government grant received, inflationary increases, rising energy costs, reduced income (cost of living crisis) and greater pressure on Council budgets
- The 'pandemic' risk description has been refocused to consider potential future events and residual effects of the current pandemic being managed at Resource level. The residual risk score has been reduced from 16 to 12

- The 'historic abuse' risk has been updated to reflect the opening of the National Redress Scheme and the continuation of the Scottish Child Abuse Inquiry
- The 'procurement' risk has been updated to reflect supply chain issues. The risk score has increased accordingly from 9 to 12
- The 'fraud, theft, organised crime, and cyber attacks' risk has been updated to reflect the global increase in cyber attacks
- The 'lack of capacity and skills' risk has been updated noting difficulties with the recruitment and retention of staff
- IT developments and functionality - no change to the overarching risk, however there are three significant IT projects being progressed at present for the Integrated Housing Management System, the SWIS+ replacement and Fusion.8 Appropriate arrangements are in place to record and manage risks for each of these projects
- Risk descriptions, controls and actions have been updated as required on individual risks, following discussion with risk owners

5.6. Risks scored 15 to 25 are considered to be very high risks and risks scored 8 to 12 are considered to be high risks. Very high and high risks are monitored closely. The top risks identified for the Resource, that is those that are residually scored as being very high and high, are attached at Appendix 2.

5.7. Appendix 3 provides a comparison of risk scores for 2021 and 2022. This appendix also details changes in risk descriptions.

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. Following the completion of claims leakage analysis reports by insurers, no specific hotspot areas have been identified for Finance and Corporate Resources.

6.2. The Risk and Insurance Team are leading on corporate initiatives to mitigate against liability, motor and property insurance claims. This includes a property insurer survey programme; a Health and Safety/training review to be undertaken by the Council's claims handlers; and ongoing development of driving at work training, with support from Employee Development.

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 Resource were identified. Areas identified are listed below:-

- Covid19 National Inquiry
  The terms of reference and a chair for a public inquiry into the handling of Coronavirus (COVID-19) in Scotland were announced by Scottish Ministers on 14 December 2021. This is a statutory inquiry under the Inquiries Act 2005.

  It will provide scrutiny of and learn lessons from the handling of the COVID-19 pandemic in Scotland, to ensure that Scotland is as prepared as possible for future pandemics.

7.2. This area will continue to be monitored to ensure that the Resource is adequately prepared to respond where required.

8. Scope and appetite for risk

8.1. 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.

8.2. 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.

8.3. 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% of residual risks at a very high level
  ♦ No more than 15% of risks at a high level
  ♦ Around 50 to 60% of residual risks at a medium level
  ♦ No more than 30% of residual risks at a low level

8.4. Table 1 below shows the Resource risks heat map, i.e. it details the total number of risks for each individual residual risk score. Table 2 below notes the overall risk profile for the Resource's risks.

Table 1 – Finance and Corporate Resources Risks Heat Map

Likelihood		1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
	5 Almost Certain				2	
	4 Likely			3	3	
	3 Possible			7	3	
	2 Unlikely				5	
	1 Rare					

Impact

Table 2 – Finance and Corporate Resources Risk Profile

Risk Category	Risk Rating	Number of residual risks	Percentage of residual risks
1	Very high	5	6.4%
2	High	18	23.1%
3	Medium	32	41.0%
4	Low	23	29.5%
		78	100.0%

8.5. Despite the fact that the profile noted in Table 2 is out with the ideal universal risk exposure defined by the Risk Management Strategy, this risk exposure is reasonable given the number of high level risks currently being faced by the Resource.

8.6. Finance and Corporate Resources has ensured that all inherent risks scored at a very high and high level have cost effective control measures in place. Where further control measures are required, these are included within the Resource risk control plan.

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

♦   4 new very high risks have been added to the risk register, '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'; 'the Council fails to deliver the outcomes of the Community Wealth Building Strategy'; 'The Council is materially affected by the implications arising from the National Care Service Bill and 'disruption to council services as a result of industrial action'
♦   1 new high risk has been added to the risk register 'failure to achieve the outcomes of the Council Plan';
♦   The high scored risk 'EU Exit' has been removed from the risk register
♦   The risk score for the Pandemic risk was changed from being very high to high

9.   Risk Control Actions

9.1.   4 risk control actions were due for delivery between April and September 2022, 3 have been completed on time, with 1 ongoing. Details of these actions is noted in Appendix 4.

9.2.   7 actions due for completion during 2021/2022 have been completed. 63% (7/11) of control actions were completed on time against an overall Resource target of 90%. 4 actions have been delayed and carried forward.

9.3.   Details of the completion of risk control actions during 2021/22 and 2022/23 to date are contained in Table 3 below.

Table 3 – Completion of risk control actions

	2021/22	2022/23 (as at 30 September 2022)
Total number of actions due	11	12
Completed on time	7	3
Completed late	0	0
Carried forward to 2022/23	4	-
To be completed at a later date	-	9

9.4.   Progress with completion of Resource Risk Control Actions is monitored by the Central Risk Management team. This is also reviewed by the Resource Risk Group.

9.5.   There are currently 9 risk control actions due for completion during the remainder of 2022/2023 with a further 2 actions due for completion in 2023/2024. The outstanding actions to mitigate risks within the Risk Control Plan will be progressed by the relevant officers.

10.   Major projects, partnerships or change

10.1. Within Finance and Corporate Resources four partnerships have been identified. One of these is considered to be high risk, the Community Planning Partnership (CPP). The remaining three partnerships have been assessed as being low risk.

10.2. Appropriate risk management arrangements are in place for the CPP with regular reports on their risk register and action plan presented to the CPP Board.

11. Next steps

11.1. The Resource Risk Management Group will continue to meet on a regular 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 the Committee on an annual basis.

12. Employee Implications

12.1. Time will be required by the Resource Risk Management Group in the management of the Resource Risk Register and Risk Control Plan.

13. Financial Implications

13.1. There are no direct financial implications associated with the Resource'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.

14. Climate Change, Sustainability and Environmental Implications

14.1. Sustainable development issues are included within the risk register through risks being linked to the Council plan objective 'make communities safer, stronger and sustainable'

15. Other Implications

15.1. Failure to demonstrate that risk is actively considered and managed cannot only lead to avoidable financial loss but could also affect delivery of services and could affect the Resources' reputation.

16. Equality Impact Assessment and Consultation Arrangements

16.1. 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.

16.2. Consultation on the content of this report has been undertaken with the Resource Management Team

Paul Manning
Executive Director (Finance and Corporate Resources)

18 October 2022

Link(s) to Council Values/Priorities/Outcomes
♦ Accountable, effective and efficient

Previous References
♦ Report to Finance and Corporate Resources Committee – 10 November 2021 – 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:-
Craig Fergusson, Head of Finance (Transactions)
Ext: 4951 (Tel: 01698 454951)
E-mail: craig.fergusson@southlanarkshire.gov.uk

Appendix 1 – Risk scoring matrix and likelihood and impact definitions

Likelihood

Score	1	2	3	4	5
Description	Rare	Unlikely	Possible	Likely	Almost certain
Likelihood of occurrence	1 in 10 years	1 in 3 years	1 in 2 years	Annually	Monthly
Probability of occurrence	The event may occur in certain circumstances	The event could occur	The event may occur	The event will probably occur	The event is expected to occur or occurs regularly

Impact

	Reputation	Financial	Service delivery/ Time to recover	Compliance	Safety
1 Negligible	Public concern restricted to local complaints	<£50,000 per annum	No impact to service quality; limited disruption to operations.	No external interest	Minor injury – no lost time
2 Minor	Minor adverse local/public/media attention and complaints	£50,000- £250,000 per annum	Minor impact to service quality; minor service standards are not met; short term	Very minor attention from legislative /regulatory body	Minor injury – resulting in lost time
3 Moderate	Adverse national media Public attention	£250,000 to £500,000 per annum	Significant fall in service quality; major partnership relationships strained; serious disruption in service standards	Short-term attention from legislative/ regulatory body	Major injury or ill health resulting in lost time
4 Major	Serious negative national or regional criticism	£500,000 to £1million per annum	Major impact to service delivery; multiple service standards are not met; long term disruption to operations; multiple partnerships affected	Medium-term attention from legislative/ regulatory body	Fatality; Or injuries to several people
5 Catastrophic	Prolonged international, regional and national condemnation	>£1million per annum	Catastrophic fail in service quality and key service standards are not met; long term catastrophic interruption to operations; several major partnerships are affected	National impact with rapid intervention of legislative/ regulatory body	Multiple fatalities; Or injuries to large number of people

The assessments for impact and likelihood combine to provide an overall inherent risk score on the scale of between 1 and 25, using the Council's recognised risk matrix.

Risk matrix

Likelihood		Impact				
	5 Almost Certain	5	10	15	20	25
	4 Likely	4	8	12	16	20
	3 Possible	3	6	9	12	15
	2 Unlikely	2	4	6	8	10
	1 Rare	1	2	3	4	5
		1 Negligible	**2** Minor	**3** Moderate	**4** Major	**5** Catastrophic
				Impact		

The risk score is calculated as follows:

Likelihood score x Impact score = Risk Score

Appendix 2

Finance and Corporate Resources Risk Register (as at 30 September 2022)
Extract of risks with residual score category of Very High and High

Risk Category	Key risk	Inherent Risk Score	Sample of Controls	Residual Risk Score
1 **Very High** **(15-25)**	Reduction in external funding and fees/income received by the Council, as well as the increased demand for services including the residual impact of the pandemic, and the increased cost of services due to rising inflation and the cost of living crisis, results in increasing budget gaps. The Council is seeing considerable increases in prices in terms of energy, fuel and food costs reflecting the global economic environment. These will have an impact on the current and future years' Budget Strategy. This may also affect the level of service that the council can provide. **Council Top Risk**	25	• An embedded and systematic approach to savings identification • Robust processes in place to report annual budget and Council Tax proposals to Elected Members ♦ Council's approved long term financial strategy	20
	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 **Council Top Risk**	25	♦ Debt and money advice from the Money Matters Advice Service ♦ Provision of crisis and community care grants from the Scottish Welfare Fund ♦ Tenants Sustainment Fund	20
	The council fails to deliver the objectives of the Community Wealth Building Strategy **Council Top Risk**	20	♦ Supplier Development Programme provides training to businesses on how to bid for contracts	16

	Risk	Score	Controls	Score
			♦ SLC are a living wage anchor organisation	
			♦ CWB Commission and Progress Groups in place to oversee progress and delivery of the Strategy	
	The council is materially affected by the implications arising from the National Care Service Bill **Council Top Risk**	16	♦ Reports presented to Committee ♦ Monitoring of progress of the Bill through the Scottish Parliament	16
	Disruption to council services as a result of industrial action **Council Top Risk**	20	♦ National negotiations to resolve the pay issues ♦ Communications in place to affected parties via social media channels	16
2 **High** **(8-12)**	The council does not have the appropriate emergency / business continuity plans; contingency arrangements or partnerships in place to respond to/or recover from a pandemic/endemic event. **Council Top Risk**	25	♦ Range of supports in place to allow agile working ♦ Wellbeing Hub – counselling; CBT; online activities ♦ Enhanced financial monitoring	12
	Procurement activity is affected by supply chain issues; a lack of resources; non-compliance or legal challenge	25	♦ Procurement Strategy and action plan ♦ Contracts register in place ♦ Procurement Network Group	12
	Fraud, theft, organised crime and cyber attacks **Council Top Risk**	20	♦ Anti-Fraud and Corruption Strategy ♦ Whistle blowing procedures ♦ Cyber security and information security training ♦ Dissemination of fraud alerts	12
	Failure to respond - major event/emergency **Council Top Risk**	16	♦ Media response policy ♦ IT business continuity plans ♦ Emergency Management Team	12

	Historic childhood abuse **Council Top Risk**	16	♦ Regular actuarial reviews of post insurance fund exposures undertaken to establish potential liability for the council	12
	Information Governance not subject to adequate control **Council Top Risk**	20	♦ Awareness raising ♦ Information Governance Group in place ♦ Information Governance Strategy	12
	IT development and functionality does not keep pace with changing service requirements **Council Top Risk**	20	♦ IT Asset Management Plan ♦ ICT Development Fund ♦ IT Programme Board	9
	Lack of capacity and skills to meet increased service demands **Council Top Risk**	20	♦ Workforce Strategy ♦ Performance Appraisal Process ♦ Learning and Development Strategy	9
	Inaccurate information relating to council services reported via media	12	♦ Timeous response to media enquiries ♦ Guidelines on media enquiries contained within Corporate Standards ♦ Contact sheets provided to the media	9
	Audit plan not delivered	12	♦ Managed systematic approach to work allocation and monitoring arrangements ♦ Capacity planning	9
	Difficulties in placing insurance cover	16	♦ Support from appointed insurance broker ♦ Sound experience in placing covers ♦ Regular reviews to ensure optimal balance between retention of risk and purchased covers	9
	Failure to deliver the Modern Apprenticeship programme	12	♦ Compliance process in place ♦ Commitment from senior management ♦ Appropriately trained and qualified staff available to delivery relevant internal programmes	9

	Risk	Score	Controls	Score
	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 **Council Top Risk**	20	♦ Occupational Health and Safety Management System embedded throughout the Council ♦ Risk assessments and safe systems of work developed and implemented ♦ Resource H&S Groups in place	8
	Failure to achieve the outcomes of the Community Plan **Council Top Risk**	20	♦ Partnership Progress Group established ♦ Community Engagement Manager and team in place ♦ Neighbourhood plans developed	8
	Failure to achieve the outcomes of the Council Plan **Council Top Risk**	16	♦ New Council plan approved in June 2022 and all plans, policies and strategies aligned with the new priorities and outcomes across the council ♦ Bi-Annual performance reporting and annual performance spotlights	8
	Community Alarms - Failure to properly prepare and successfully transition from the current analogue service to a digital solution within the pre-determined timescale	20	♦ Project plan in place ♦ Project Review Board established ♦ Sessions held to scope full organisation requirements	8
	Failure to manage financial aspects of City Deal	25	♦ Financial aspects reviewed for each business case at all stages of the project ♦ Assurance frameworks ♦ Specific project risk registers in place	8

Appendix 3: Comparison 2022 and 2021 council top risk register Risk Category

Risk Category	Key risk	2020 Residual risk score	2021 Residual risk score	Change in residual risk scores	Changes to key risk descriptions
1 Very High (15-25)	Reduction in external funding and fees/income received by the Council, as well as the increased demand for services including the residual impact of the pandemic, and the increased cost of services due to rising inflation and the cost of living crisis, results in increasing budget gaps. The Council is seeing considerable increases in prices in terms of energy, fuel and food costs reflecting the global economic environment. These will have an impact on the current and future years' Budget Strategy. This may also affect the level of service that the council can provide. **Council Top Risk**	20	20	=	Wording updated to reflect inflationary increases, energy costs, reduced income (cost of living crisis) and greater pressure on council budgets
	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 **Council Top Risk**	N/A	20	New risk	
2 High (8-12) 2 High	The council fails to deliver the objectives of the Community Wealth Building Strategy **Council Top Risk**	N/A	16	New risk	

(8-12)	The council is materially affected by the implications arising from the National Care Service Bill **Council Top Risk**	N/A	16	New risk	
	Disruption to council services as a result of industrial action **Council Top Risk**	N/A	16	New risk	
	The council does not have the appropriate emergency / business continuity plans; contingency arrangements or partnerships in place to respond to/or recover from a pandemic/endemic event. **Council Top Risk**	16	12	↓	Wording amended to focus on response and recovery from future pandemic events
	Procurement activity is affected by supply chain issues; a lack of resources; non-compliance or legal challenge	9	12	↑	Wording updated to include Supply Chain issues
	Fraud, theft, organised crime and cyber attacks **Council Top Risk**	12	12	=	
	Failure to respond - major event/emergency **Council Top Risk**	12	12	=	
	Historic childhood abuse **Council Top Risk**	12	12	=	
	Information Governance not subject to adequate control **Council Top Risk**	12	12	=	
	IT development and functionality does not keep pace with changing service requirements **Council Top Risk**	9	9	=	
	Lack of capacity and skills to meet increased service demands **Council Top Risk**	9	9	=	
	Inaccurate information relating to council services reported via media	9	9	=	

Audit plan not delivered	9	9	=	
Difficulties in placing insurance cover	9	9	=	
Failure to deliver the Modern Apprenticeship programme	9	9	=	
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 **Council Top Risk**	8	8	=	
Failure to achieve the outcomes of the Community Plan **Council Top Risk**	8	8	=	
Failure to achieve the outcomes of the Council Plan **Council Top Risk**	N/A	8	New risk	
Community Alarms - Failure to properly prepare and successfully transition from the current analogue service to a digital solution within the pre-determined timescale	8	8	=	
Failure to manage financial aspects of City Deal	8	8	=	

Appendix 4 – Finance and Corporate Resources 2022 Risk Control Plan

2022/2023 Actions	Who:	Target date:
Partners and communities work together to produce a new Community Plan reflecting the post pandemic needs of South Lanarkshire	Community Engagement Manager	May 2022 (Completed on time)
Progress agile working across the council through full deployment of Windows 10 laptops / Office 365 / Soft Phones	Head of IT Services	June 2022 (Completed on time)
A2D - Approve service provision model	Programme Co-Ordinator, IT Services	June 2022 (Completed on time)
Review of CPP Structures to ensure that they are fit for purpose	Community Engagement Manager	August 2022 (Ongoing)
Publish summary details of all completed DPIA's on the internet **(Action carried forward from 2021/2022)**	Legal Services Manager	December 2022
Establish Community Partnerships in Hamilton and East Kilbride localities	Community Engagement Manager	December 2022
Implementation of EDRMS Phase 2	Head of IT Services	March 2023
Provide input and support to council transformation plans **(Action carried forward from 2021/2022)**	Head of IT Services	March 2023
Implement actions per ICT Asset Management Plan **(Action carried forward from 2021/2022)**	Head of IT Services	March 2023
Develop Neighbourhood Plans for areas in Ward 19, Hamilton; Greenhills/Whitehills and Crosshouse, East Kilbride; and Lanark	Community Engagement Manager	March 2023
Monitor the financial support available from government	Head of Finance (Transactions)	March 2023
Increase awareness of Money Matters Advice Service throughout South Lanarkshire and promote take up of Priority Service Register and other SLC support services that are in place to help people.	Head of Finance (Transactions)	March 2023
2023/2024 Actions		
Progress Digital and IT Strategy for 2022 – 2027 **(Action carried forward from 2021/2022)**	Head of IT Services	September 2023
A2D - Digital solution procured and implemented	Programme Co-Ordinator, IT Services	March 2024