North Lanarkshire Council
Report

Audit and Scrutiny Panel

☐ for approval ☒ for noting   **Ref:** KA/ASP/Sept20   **Date:** 03/09/2020

Risk management update

From: Ken Adamson, Audit and Risk Manager

Email: adamsonk@northlan.gov.uk **Telephone:**   07939 280602

Executive Summary

The purpose of this report is to update Panel members on risk management developments in the period including progress on reviewing, assessing and managing risks contained within the Council's corporate risk register. The report also considers how the Council has responded to Covid-19 in terms of risk management, and the resulting impacts on key corporate risks, and the council's risk profile.

As might be expected, significant attention in the period has been focused on identifying and re-assessing those corporate risks most likely to be negatively impacted by Covid-19 and the associated changing risk environment and separate reports on two such areas (Health and Safety and Financial Management/Sustainability) are also on the Panel's agenda.

Risk registers remain in place across the organisation, with work ongoing within Services to ensure that risk registers remain comprehensive, up-to-date and reflect current organisational objectives, management arrangements and the impact of Covid-19.

Priorities for risk management activity in 2020 were previously agreed with CMT in January. This included actions to be progressed by the Corporate Risk Management Team, the Risk Management Corporate Working Group and individual Services. Planned actions include improvements to the guidance available to those drafting committee reports to ensure a more consistent approach to the consideration of risks and how risk information is conveyed to elected members.

Recommendations

The Panel is invited to:

(1)   note the current status of those risks identified as key corporate risks for 2020-2021 including ongoing work assessing such risks for impacts in relation to Covid-19;

(2)   note progress being made generally in taking forward relevant risk management, including work being progressed to improve guidance on the consideration of risk and presentation of risk information in committee reports;

(3)   endorse the actions outlined at para 2.21 designed to contribute to improving management of the 'Governance, leadership and decision making' corporate risk;

(4)   otherwise note the contents of the report.

Links

The Plan for North Lanarkshire:

Priority: All priorities

Ambition statement: All ambition statements

1. Background

1.1 The Panel will recall that in line with the approved Risk Management Strategy, all corporate risks identified and agreed as meriting inclusion in the corporate risk register are subject to regular monitoring and review by relevant senior management, and that normally each year the corporate register is reviewed for completeness and relevance to the council's strategic objectives, and alignment with The Plan for North Lanarkshire.

1.2 The Corporate Risk Register is normally refreshed on an annual basis; led by the Corporate Risk Team and Risk Management Corporate Working Group (RMCWG) on behalf of, and in consultation with, the Corporate Management Team. In addition, each Service is required to maintain their own risk registers in respect of the operational service risks within their areas of responsibility.

1.3 Members will recall that an annual review/refresh exercise was undertaken in May 2019, which resulted in a number of proposed changes to the Corporate Risk Register which were subsequently agreed at CMT. The end result of that process was that for 2019-20, 23 risks were included in the corporate risk register. In March, a new corporate risk was added to the register 'Pandemic Illness – Covid-19' which addresses high level risks in relation to the council's emergency response to the pandemic. This brought the total number of current key corporate risks on the corporate risk register to 24.

1.4 The formal annual review process planned for Spring 2020/21 was postponed due to the ongoing public health emergency with attention focused instead on reviewing existing corporate risk assessments and identifying and re-assessing those corporate risks most likely to be significantly impacted by Covid-19 and the associated changing risk environment.

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2. Report

Corporate Risk Register – current status

2.1 Good progress has been made in finalising deep dive risk assessments for new or amended Corporate Risks, with 21 complete and 3 under development.

2.2 Risks which are finalised are subject to relevant ongoing monitoring and review at frequencies relevant to the assessed residual risk rating, unless there is a significant change in our internal or external environment which suggests that risks should be reviewed more often. The current pandemic has been such an event which made it necessary for the Council to review its risk register for impacts related to the pandemic, and to understand the effect on existing controls, the nature of the risk being managed and on changes in its risk profile.

2.3 In order to progress this work in a timely and proportionate manner, while recognising restrictions on staff availability during the Council's emergency response phase, it was agreed that corporate risks would be prioritised for review based on the following.

Priority 1:   Impacts likely to be negative and/or felt immediately or in the short term

Priority 2:   Impacts likely to be moderately negative and/or felt in the medium term

Priority 3   Impacts likely to be either mildly negative, positive and/or felt in the longer term

2.4 A summary of the current status of the corporate risk register is attached at Appendix 1. This includes priority for Covid-19 review, relevant progress and any resulting shift in residual risk rating.

2.5 Seven risks were identified as Priority 1, with four reviews having been completed, the remaining three await final sign-off by Risk Leads. The results this far are noted below:

Priority 1 risk	Pre-covid residual risk	Covid inherent risk	Revised residual risk
Information Security and Governance	20	25	20
Public Protection	16	25	20
Tackling Poverty	16	25	TBC
Financial Sustainability	15	25	TBC
Human Resources	12	TBC	TBC
Health & Safety	12	25	20
Governance, Leadership and Decision-Making	12	16	12

2.6 The approach taken was firstly to confirm with risk leads that the pre-Covid residual risk rating was still valid. Each risk was then assessed for additional threats and impacts relating to Covid, the extent to which the current control framework had been impacted and/or could address the additional risk, and what the Council has done to improve controls in response. The result is a revised residual risk rating in each case, with any further planned actions identified to mitigate the risk further where necessary.

2.7 As might be expected, the most significant shift in residual risk rating of all priority 1 risks is for the 'Health & Safety' risk, which has moved from a medium risk to a high risk category. In risk terms this reflects the significant challenges and increased potential harms associated with the challenges which Covid-19 presents to the delivery of Council services. Ensuring the health and safety of staff and service users and the delivery of Council services in a 'Covid secure' manner is an integral part of the Council's approach to recovery. Details on how the additional risk is being managed and further planned actions will be outlined in the separate report on this topic from the Head of People and Organisational Development.

2.8 Remaining Priority 1 risks have either retained the same residual risk rating or have increased marginally within the same risk rating category. In most cases, this is reflective of the positive impact of the relevant controls and actions already taken to manage the additional risk.

2.9 The risk management function's focus will now move to progressing the review of priority 2 corporate risks, to ensure that Covid impacts are understood and are being effectively addressed and reflected in key risk documentation. Priority 3 risks will be reviewed at their usual review frequency, taking into account any specific Covid impacts at that time.

2.10 There have been no significant changes to any of the residual risk scores in respect of the remaining corporate risks since the last update to the Panel. In most cases, the residual risk score is significantly reduced from the inherent risk score reflecting the impact of the relevant control framework in reducing the likelihood of the risk crystallising and/or the impact if it does. The Council's general control framework appears generally to have performed well during the public health emergency.

2.11 The new Climate Change risk which members will recall was to be widened from the previous 'Carbon Management' risk, now joins the grouping mentioned in para 2.2, with a residual risk score of 16, as does the risk 'Implementation of Economic Regeneration Delivery Plan' with a residual risk score of 15.

2.12 All corporate risks identified and agreed as meriting inclusion in the corporate risk register are subject to monitoring and review by relevant senior management. Risks require to be reviewed on a regular basis and management continues to review the effectiveness of existing controls and the need, if any, for further management action as part of the periodic review of each risk.

2.13 Each of the corporate risks has a designated risk owner who is a member of the Council's Extended Corporate Management Team. Most of the corporate risks also have a relevant corporate working group or other grouping of relevant staff who are involved in periodically reviewing risk documentation, monitoring any planned actions and assessing the ongoing validity of assessed residual risk scores.

2.14 In the latter part of 2019, significant corporate risk management activity had focused on ensuring that the Council had given appropriate consideration to the risks arising from the UK leaving the EU (and in particular the risks which might arise from a 'No Deal Brexit'). Following the Council's departure from the UK on 31 January (with transitional arrangements agreed until 31 December 2020), the relevant Corporate Working Group was temporarily stood down. CMT agreed that the formal governance surrounding this risk should be 'warmed-up' over the Summer in order to ensure that the Council can prepare and plan/respond as appropriate to issues which may arise as and when the exact nature of the UK's post-transition relationship with the EU becomes clearer. A further meeting of this group is planned for 21 August 2020.

2.15 Members will note in relation to Appendix 1, the number of new or amended corporate risks which have now been documented and scored has increased, with only a small number still requiring documentation and scoring to be finalised and signed off with senior management. Corporate risk team continues to support Risk Leads to ensure that this is progressing, although focus has understandably shifted in recent months to support Covid risk reviews as outlined above. There are also two corporate risks (health and social care integration and the Enterprise Strategic Commercial Partnership) where a more fundamental review of the nature and scope of each of the risks and how they are expressed is underway to ensure that it properly reflects ongoing developments.

2.16 In lieu of the postponed annual refresh of the corporate risk register for 2020/2021, CMT will shortly be asked to consider whether any changes to the corporate risk register are necessary arising from the revised Programme of Work for 2020-21. The Corporate Risk Team will support this process. Services are also encouraged to highlight any risks in Service risk registers which require consideration for inclusion going forward in the Corporate Risk Register.

Other developments

2.17 Risk management continue to be represented on both the CMT and the Recovery Group to help ensure that there is appropriate consideration of risk in the Council's wider governance arrangements and risk management is now increasingly embedded within the Council's project management arrangements.

2.18 Good progress continues to be made on a wide range of other improvement actions which are designed to ensure that the Council can demonstrate mature and effective risk management arrangements.

2.19 To ensure focus remains on the right areas, the Corporate Risk Team, in collaboration with the Risk Management Corporate Working Group (RMCWG), prepared a set of key risk management objectives for 2020 (attached at Appendix 2). These have been agreed with CMT, and set out the key objectives and planned actions intended to further embed Risk Management across the organisation. These will be reviewed to ensure they remain relevant and ensure that support from the risk management function is directed appropriately, particularly in light of Covid and ongoing 'recovery' work across the Council.

2.20 Planned actions include improvements to the guidance available to those drafting committee reports to ensure a more consistent approach to the consideration of risks and how risk information is conveyed to elected members thereby helping ensuring that risk is more effectively embedded within the organisation's decision making processes (early draft guidance is attached in Appendix 3 for information). This also links with planned actions relating to the corporate risk 'Governance, Leadership and Decision Making'.

2.21 A current proposed planned action in respect of the 'Governance, Leadership and Decision Making' risk, is to "Consider core 'Good Governance' training for Elected Members for inclusion in the member training programme, and to seek Audit & Scrutiny Panel endorsement/championing of the same as a means of contributing to continuous improvement in governance and decision making across the organisation." Given the links to the Governance aspects of the Panel's remit, the Panel is asked to endorse this action which will then be progressed by the Head of Legal & Democratic Solutions and to encourage elected members uptake of such training.

2.22 Significant attention will continue to be given to ensuring that staff have appropriate risk management tools and knowledge, proportionate to their roles and responsibilities, that will support the delivery of risk management activities, including on the use of the Figtree Risk Management system. This will include a specific focus on further developing the skills within the network of Risk Champions and Risk Facilitators across the organisation, to ensure they are adequately equipped to support Services in their consideration and management of risk.

2.23 The corporate risk management team also continues to engage with, and support, a number of additional workstreams to ensure that risk management is embedded within other key corporate processes including project management, procurement and wider business planning processes. The team also continues to provide support to risk management activity within a number of key corporate projects including the in-sourcing of Cultural and Leisure Services and the Enterprise Strategic Partnership Contract

3. Equality and diversity

Fairer Scotland Duty
There is no requirement to carry out a Fairer Scotland assessment in this instance.
Equality Impact Assessment
There is no requirement to carry out an equality impact assessment in this instance.

4. Implications

Financial impact	None identified
HR/Policy /Legislative Impact	None identified
Environmental Impact	None identified
Risk impact	Effective oversight of key corporate risks will enable CMT and Services to more effectively manage and monitor their risks, and embed and evidence good risk management practice, increasing the likelihood of the Council achieving its ambitions and plans by minimising or mitigating potential threats to planned outcomes.

5. Measures of success

5.1 The corporate risk management team will continue to report quarterly to CMT and the Audit and Scrutiny Panel providing an overview of the management of the Council's key corporate risks, and updating on progress in respect of planned improvements to the Council's risk management arrangements.

5.2 The adequacy and effectiveness of the Council's risk management arrangements will be independently reviewed regularly by Internal Audit, who will report directly on the results of that work to the Audit and Scrutiny Panel.

5.3 Effective risk management arrangements assist the Council in achieving planned outcomes and/or help the Council mitigate the impacts of adverse events.

6. Supporting Documents

Appendix 1   Corporate Risk Register summary 2020-21

Appendix 2   2020 Risk Management Objectives

Appendix 3   Draft corporate guidance for dealing with risk in Committee reports

Ken Adamson, Audit and Risk Manager

Appendix 1   Corporate risk register summary 2020-21

Risk Title	Inherent risk	Pre-covid residual risk	Priority for covid review	Covid inherent rating	Revised residual risk
Pandemic illness – Covid-19	New risk	New risk	New risk	25	25
Information Security/Governance	25	20	1	25	20
Public Protection	25	16	1	25	20
Tackling poverty	25	16	1	25	tbc
Financial sustainability	25	15	1	25	tbc
Human resources	25	12	1		tbc
Health & Safety	25	12	1	25	20
Governance, leadership, decision-making	25	12	1	16	12
UK leaving the EU	16	16	3	tbc	tbc
Climate change	20	16	3	tbc	tbc
Business continuity planning	20	15	3	tbc	tbc
Terrorism	15	15	3	tbc	tbc
Implementation of the Economic Regeneration Development Plan	20	15	3	tbc	tbc
Procurement risk	25	12	2	tbc	tbc
ICT operational capability	25	12	2	tbc	tbc
Managing strategic change	25	12	2	tbc	tbc
1140 Hours	25	12	3	tbc	tbc
Digital and IT strategy	20	9	3	tbc	tbc
Serious organised crime, fraud, corruption	20	9	2	tbc	tbc
Engagement and consultation	15	9	3	tbc	tbc
Resilience planning	25	5	3	tbc	tbc
Enterprise Strategic Commercial Partnership - draft	tbc	tbc	3	tbc	tbc
Asset management -draft	tbc	tbc	3	tbc	tbc
Health and social care integration - draft	tbc	tbc	3	tbc	tbc

Appendix 2 – 2020-21 Risk management objectives

Objective	What does success look like?	How / planned actions
1. Further develop arrangements for regular reporting on key corporate risks to CMT and Audit and Scrutiny Panel.	Regular and timely reports to key stakeholders with updated information on assessment of key corporate risks. CMT discussions on key corporate risks to include greater consideration and monitoring of risks themselves and progress of relevant planned actions.	Information on key corporate risks to be generated from Figtree. Audit and Risk Manager to facilitate consideration by CMT of key corporate risks. CMT to review corporate risk register following approval of PoW in March 2020 and reflect on issues arising the Strategic Self-Evaluation Programme and Strategic Performance Framework.
2. Work more closely with those Services with 'less advanced' arrangements to improve risk management arrangements within those Services.	Risk registers widely in place and subject to regular review in all Service areas. Evidence of regular consideration of risks at SMT level.	Compliance checks on adequacy and quality of risk registers and consideration of risk management within Services.
3. Formalise more consistent consideration of risk in Committee decision-making process.	Committee reports consistently identify and assess relevant key risks and provide sufficient assurance to elected members on how these risks are being, or will be, managed.	Revised guidance developed and issued on use of 'Risk implications' sections of Committee reports and guidance is widely adopted.
4. Further embed use of Figtree across the Council.	Figtree used by all Services to hold, monitor and review risk register information.	Remap Figtree to new organisational structures. Develop improved automated reporting and suite of standard reports. Compliance checks on adequacy and quality of risk registers.
5. Review, refresh (as appropriate) and roll-out training on risk management to ensure it continues to meet the organisation's requirements	High level of awareness (as appropriate to staff's roles) about risk and risk management. All staff (across all Services, but with a particular focus on Education and Families) with specific 'risk roles' have undertaken appropriate training.	Refresh introductory training module and re-launch. Create advanced training module. Periodic development updates and/or sessions made available to risk network.
6. Risk Management Strategy submitted to March 2020 Policy and Strategy Committee for approval and subsequent roll-out.	Comprehensive risk management strategy in place and being effectively implemented.	Revised risk management strategy approved and rolled-out. Compliance checks as per Objectives 2, 4 and 7 to provide assurance on implementation of revised strategy.
7. Review management of risks in key corporate projects.	'Project risk management' is operating adequately and effectively in line with corporate expectations.	Provide risk management support to key corporate projects as required. Compliance checks to provide assurance on the regularity, adequacy and quality of consideration of risks and risk registers within key corporate projects.

Guidance for dealing with risk in Committee reports (DRAFT)

How is Risk Management incorporated into the Council's decision-making process?

The principles of risk management relating to decision-making are the same as for any other risk management process. The table below outlines the process.

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1. **Identify** any risks associated with the decision and the implementation of the decision.

2. **Assess** the impact of the risk and the likelihood of it occurring.

3. **Prioritise** and include commentary on any significant risks/risks with significant potential impacts in the report.

4. **Manage** – produce a SMART action plan setting out how the Council intends to minimise the impact or reduce the likelihood of each of the significant risks identified.

5. **Review** risks with key subject matter experts and relevant statutory officers and amend the risk assessment accordingly.

6. **Agree** risk assessment with decision-maker clarifying any risks in the risk assessment in order to allow the decision to be made.

7. **Update** any Service or project risk registers following the decision.

Committee report templates include a section 'Risk Impacts'. The section requires the author to record significant risks identified after carrying out a risk assessment. The risk assessment must record the risks related to the proposed recommendations(s) (including the risks of implementation) and the risks of not taking the recommended action.

What is the purpose of the risk assessment?

The risk assessment:

- Demonstrates that all significant risks related to the decision have been considered;
- Provides evidence that the decision-maker has been provided with sufficient information about risks in terms of probability and impact; and
- Explain how risks will be managed.

What will the risk assessment record?

The risk assessment should record:

- Risks that may arise if the decision is not taken;
- Risks that may arise if the decision is taken; and
- Action that will be taken to manage each risk documented if the decision is taken.

Who needs to be involved in compiling the risk assessment?

The report author will take the lead in compiling the risk assessment using a standard template available via the intranet. Involvement will vary significantly depending on the subject matter and the nature of the decision being sought but may include:

- Subject matter experts
- Chief Executive
- Head of Service
- S95 officer
- Executive Director
- Monitoring Officer

The report author in consultation with the appropriate Executive Director should review the report and the risk assessment prior to the report being issued.

Does every report require a risk assessment?

Do all risks in relation to a proposal have to be recorded in a risk assessment?

No. The risks assessment process should be proportionate to the decision being made. The report author and others involved should consider the impact of any associated risk(s) when deciding whether a risk assessment is required or not. It is the responsibility of the report author to ensure that the risk assessment is sufficient for its purpose. If the impacts of identified risks are low or negligible then it is reasonable that the risks are not formally recorded.

What should I put in the risk management section of the template?

Key risks surrounding a decision and how these are being or will be managed should always be highlighted in the narrative of the report. The Committee should receive assurance that the report author has carried out a proportionate risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.

In offering this assurance the report author is confirming that:
- risk assessment documentation relating to the decision has been completed and reviewed by relevant senior management;
- all significant risks relating to the decision and how these will be managed are highlighted in the report; and
- risks relating to the decision have, as appropriate, been included in Service or Project risks registers and will be managed and subject to monitoring and review in accordance with the Council's risk management strategy.

Will the risk assessment be accessible to the public?

The risk assessment will not be published with the Committee papers (although the Committee report will confirm that a risk assessment exists to support the decision sought in the report). However, risk assessments will be subject to the normal rules of disclosure under the Freedom of Information Act 2000 and other relevant legislation.

DRAFT

Risk assessment template

Decision being sought:

Committee and date where decision will be made:

Risks identified and potential impacts	Probability	Likelihood	Brief description of how is risk managed or how will it be managed in future?	Include in Service or Project risk register (Yes/No)
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				

Risk management assessment completion checklist

1. Does the risk assessment record key risks that may arise if the decision is taken?	YES / NO
2. Does the risk assessment record key risks that may arise if the decision is not taken?	YES / NO
3. Does the risk assessment record actions that will be taken to manage each risk documented if the decision is taken?	YES / NO
4. Has input to the risk assessment been obtained from subject matter experts and all relevant statutory officers?	YES / NO
5. Are all significant risks relating to the decision and how these will be managed highlighted in the report?	YES / NO
6. Does the report confirm to decision-makers that a proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance?	YES / NO

Completed by: (insert name and date)

7. **To be completed after any decision**: Have risks relating to the decision, as appropriate, been included in Service or Project risks registers	YES / NO