

North Lanarkshire Council

Report

Audit and Scrutiny Panel

approval noting

Ref: KA/ASP/Dec21

Date: 09/12/2021

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 with a particular focus on two risks (workforce pressures and supply chain risks) where residual risks have increased significantly in recent months such that they are now subject to regular and ongoing consideration by the Corporate Management Team.

The report summarises how these risks are currently impacting on the Council, how management are currently seeking to mitigate them and future planned activity.

More generally, 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 ongoing impact of Covid-19.

Recommendations

The Panel is invited to:

- (1) note that the residual risks associated with workforce pressures and supply chain risks have increased significantly in recent months and are now subjected to regular and ongoing consideration by the Corporate Management Team;
 - (2) note that both risks, if not effectively mitigated, have the potential to impact significantly on service delivery, financial performance and the achievement of planned outcomes;
 - (3) note the actions being taken or planned by Services and the Council more corporately to mitigate these risks and that Services will continue to manage risks in accordance with the Council's Risk Management Strategy; and
 - (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, each Service is required to maintain its own detailed risk registers in respect of the operational service risks within their areas of responsibility and that all risks identified and agreed as meriting inclusion in risk registers are subject to regular monitoring and review by relevant management.
 - 1.2 Members are also aware that the Council's Risk Management Strategy requires that the corporate risk register be refreshed regularly, and at least on an annual basis; led by the Corporate Risk Team, working with the Risk Management Corporate Working Group on behalf of, and in consultation with, the Corporate Management Team.
 - 1.3 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. The results of the most recent review exercise were reported to Panel in March 2021.
 - 1.4 Since that date, two significant risks have emerged and/or increased. One relating to workforce issues was already recognised within the Council's corporate risk register; the other, supply chain risks is now considered to meet the criteria for inclusion in the corporate risk register and to be reported to the Panel. The relevant risks are:
 - Workforce pressures – in particular, increased difficulties in recruiting and retaining staff to ensure that we have the necessary skilled workforce to deliver Council services and enable the Council to deliver against its ambitions; and
 - Supply chain risks – in particular, increased challenges associated with ensuring the availability, reliability and affordability/pricing of the supply of goods and services to enable the Council to deliver services and progress its wider ambitions.
 - 1.5 This paper provides the Panel with an overview on how these risks are currently being managed.
-

2. Report

Workforce pressures

- 2.1 Despite early concerns about Brexit's impact on employment, employment levels continued to grow relatively sharply since the referendum to leave the European Union in 2016. While employment growth slowed in 2019, and was significantly impacted in 2020 by the pandemic, as the economy has begun to recover the labour market has remained extremely tight with the number of reported vacancies across the economy high by historical standards.
- 2.2 Whilst traditionally, the Council has experienced long-standing difficulties in recruiting and retaining the right workforce in some specific areas of activity such as Home Care, in recent months these pressures have not only deepened, but also widened in scope to affect a broader range of services and activities.
- 2.3 These workforce pressures are being exacerbated by increased absence levels arising from staff requiring to self-isolate as a result of testing positive for Covid or being identified as a close contact.
- 2.4 Regular updates are now provided by Services on the pressures they are experiencing in respect of workforce and actions taken to date and/or planned. This is summarised in a report which shows the current RAG status for each Service area together with management commentary on issues arising and actions taken and/or planned. This report is considered fortnightly by the CMT.

2.5 The following table shows the current RAG assessment.

Table 1 – Service RAG status – Workforce pressures

Service activity	RAG status	Service activity	RAG status
Education & Families: Schools and ELCs	Amber	Education & Families: ASN and Pupil Support	Red
Adult Health & Social Care: various including Social Workers, Integrated Equipment Store, Addiction Services, Integrated Day Services and Locality Support Service	Red	Adult Health & Social Care: Home Support	Red
Children, Families and Justice: various roles including Social Workers, MHO SWES, Admin Support and Children House (Sessional)	Amber	Housing: Range of front-line roles	Amber
Environmental Assets: Land management	Amber	Communities: Active and Creative Communities	Amber
Planning and Regeneration: various roles across Planning, Enterprise and New Supply teams	Amber	Asset and Procurement: Facility Support Services	Amber
Regulatory Services: Environmental Health and Trading Standards	Amber	Business Solutions – ICT support	Amber
Business Solutions: Business Strategy and Change Delivery - finance and contracts, programme management	Red	POD - ESC, HRBP team and H&S	Amber
Financial Solutions	Amber	Legal and Democratic	Amber

- 2.6 A wide range of management activity has already been taken and/or is planned. In managing and mitigating the potential impacts of workforce pressures, much of the initial focus at Service-level has, and continues to be, about making best use of available resources, using staff as flexibly as possible, utilising overtime and agency staff where necessary and/or appropriate, and prioritising work undertaken. Significant effort has also been put into ensuring that where vacancies exist, recruitment is progressed in a timely manner. To help support this, the Council's recruitment processes continue to be reviewed and expedited as far as possible.
- 2.7 Given the Council cannot simply increase salaries to attract staff, significant attention has also been focused on ensuring that the Council's recruitment activities are inclusive, appropriately tailored and properly targeted. This includes working closely with the Employability team and Routes to Work to increase our reach and access to a broader spectrum of candidates who may previously not have considered applying to the Council, but may consider doing so with further support and encouragement.
- 2.8 Attention has also been given to building on the Council's brand and wider employment offer, which should not only help address hiring difficulties in the short-term but also make the organisation more attractive as an employer in the longer-term. In addition, measures such as the provision of flexible working, clear career development and a commitment to providing learning and development opportunities are being emphasised, which can also help both recruit and retain the people and skills Services need.
- 2.9 Detailed strategic workforce plans are in the process of being drafted and these will be taken through CMT and then relevant Service Committees starting in Cycle 1 of next year. Within these plans, Services will identify their medium and long-term proposals for building a strong pipeline of future employees in key skills areas. Broader work is also being undertaken to increase our levels of Modern and Graduate Apprentices across the organisation and this will be supported by funding through the Employability team and the Young Person's Guarantee Fund.

Supply chain risks

- 2.10 There has been significant media coverage in recent weeks of increasing supply chain issues resulting in increases in prices and/or shortages of a range of materials and goods and shortages of staff. This has largely been attributed to the effects of the pandemic and Brexit on the labour market and on production and distribution arrangements.
- 2.11 A range of specific issues facing Services has been highlighted to the corporate risk team as requiring to be included within risk registers. Current pressures are resulting in increasing prices, delays and/or non-availability of certain items and there is no indication that these pressures will disappear in the short-term.
- 2.12 Corporately, this issue has the potential to create significant additional financial pressures, to potentially limit what the Council can achieve within available budgets and to potentially impact on the Council's ability to deliver key services and to progress planned projects (including a number Programme of Work items).
- 2.13 CMT has already approved arrangements to allow the Council to consider and approve revised rates where cost pressures arising from the pandemic/Brexit have the potential to impact on the commercial viability of existing contractual arrangements, although to date no such cases have been authorised.
- 2.14 Good practice around mitigating supply chain risks traditionally includes:
 - Evaluating and identifying current risks, prioritising by probably and impact;
 - Ensuring supplier quality and conducting procurement due diligence;
 - Diversifying suppliers to minimise risk and increase options;
 - Including partners in risk planning and bringing them closer to your operations;
 - Taking appropriate mitigating actions and contingency planning where residual risk exposure remains high; and
 - Reviewing risks periodically.
- 2.15 From both risk management and business continuity perspectives and to comply with good practice in contract management arrangements, Services have been doing all of the above, focusing on where there is a particular reliance on any specific contractor and/or on the provision of any good or service in delivering key services or projects, and considering how they might respond in the event of significant supply chain disruptions to the provision by contractors of that good or service.
- 2.16 A key challenge for Services, however, is uncertainty over where and when any such supply chain issues may arise and this uncertainty has only increased as the supply chain issues have become more widespread.
- 2.17 Although all Services have now undertaken dialogue with relevant key contractors/suppliers to ascertain current and potential threats/risks and to understand what contractors/suppliers are doing to mitigate these, it is important to recognise that the quality and reliability of information and/or assurances provided by suppliers/contractors may vary hugely and/or not be particularly well-informed.
- 2.18 Existing contingency plans already address how Services would respond to an emergency, but Services have increasingly had to consider what additional actions might be appropriate to mitigate the likelihood of supply chain issues causing significant disruption. In the short-term, effective potential mitigating actions which are open to management are relatively limited but include:
 - Seeking alternative sources of relevant goods or services deemed 'at risk'
 - Changing product requirements, where appropriate, to replace or reduce the need for 'at risk' goods or materials;
 - Where appropriate, increasing stocks held of 'at risk' or 'potentially at risk' materials'; and
 - Reprioritising, switching or delaying work to reduce demand for at risk goods or materials until such time as they are more widely available.

- 2.19 Again, individual Services have been doing all of the above, although in practice there is no single or ideal solution and all the above have significant limitations and/or downsides. Additionally, as the precise nature of the issues facing individual Services will/do vary hugely, Services need to be flexible and tailored in how they respond.
- 2.20 As with workforce pressures, regular updates are now provided by Services on the pressures they are experiencing in respect of supply chain risks and actions taken to date and/or planned. This is summarised in a report which shows the current RAG status for each Service area together with management commentary on issues arising and actions taken and/or planned. This report is considered fortnightly by the CMT.
- 2.21 The following table shows those Services where the current RAG assessment has been assessed as Amber or Red, meaning that supply chain risks are impacting and/or are likely to impact on service delivery (including PoW items) and/or financial performance.

Table 2 – RAG status (for Services at Red or Amber only) – Supply chain risks

Service activity	RAG	Service activity
Adult Health and Social Care and Children, Families and Justice	Amber	Service is experiencing disruption to the supply chain to equipment and materials. This particularly affects the supply of equipment and adaptations to adults, young people and children with disabilities. Essential equipment is under significant demand nationally versus available supply. There are ongoing issues with supply of staff and recruitment remains an ongoing challenge for external service providers. This is being reported through the Home Support Programme Board and CMT. Management actions are mitigating the current issues, but this could have a significant impact on service and the wider health and social care system. Issues will continue to be monitored and managed.
Assets and Procurement	Amber	Service continues to experience a range of issues relating to labour, material and delivery shortages and consequential price impacts which are impacting a range of contractual arrangements and projects/programmes of work. Details and impacts vary and are being monitored on an individual contract/areas of work basis. Summary RAG assessment represents a range of different assessments.
Housing Property and Projects	Red or Amber	Service continues to experience a range of issues relating to labour, material and delivery shortages and consequential price impacts which are impacting a range of contractual arrangements and projects/programmes of work. Details and impacts vary and are being monitored on an individual contract/areas of work basis. Summary RAG assessment represents a range of different assessments.
Business Solutions	Amber	Service is experiencing procurement and delivery shortages, particularly within Technology Solutions. This presents ongoing challenges in delivering the DigitalNL and capital programmes as planned. Details are being reported to the Digital NL Delivery Board, CMT, SCDG and Transformation & Digitisation Committee. Issues will continue to be monitored and managed. No additional specific actions planned.

Other risk management developments

- 2.22 There are no other material changes to the Council's risk management arrangements since the last update to the Panel that require to be reported. 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 ongoing impact (both direct and indirect) of Covid-19.

3. Public Sector Equality Duty and Fairer Scotland Duty

- 3.1 There is no requirement to carry out a Fairer Scotland assessment in this instance based on the recommendations in this report; no new decisions are being made.

4. Implications

4.1 Financial impact

None identified – any financial impacts arising as a result of the risks highlighted will be outlined in relevant financial reports in accordance with the Council's long-standing budget monitoring arrangements.

4.2 HR policy/Legislative impact

None identified.

4.3 Technology/Digital Impact

None identified.

4.4 Environmental Impact

None identified.

4.5 Communication Impact

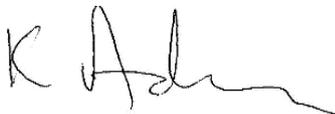
None identified.

4.6 Risk Impact

Effective risk management arrangements including the identification, assessment, management and oversight of relevant risks will increase the likelihood of the Council achieving its ambitions and plans by more effectively 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 key developments in risk management 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 and regularly reviewed 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.



Ken Adamson, Audit and Risk Manager