
Report to **Audit Committee**

Date of Meeting: **20th June 2019**

Subject: **Corporate Risk and External Audit Actions**

Report by: **Strategic Director – Partnerships & Performance**

1.0 Purpose

- 1.1. This report provides the 2018/19 year-end update on Clackmannanshire Council's Corporate Risk Log (Appendix A), the Annual Statement of Preparedness (Appendix B), and actions from the external audit of 2017/18 accounts by Audit Scotland (Appendix C). The Corporate Risk Management Guidance is also provided for information (Appendix D).

2.0 Recommendations

- 2.1. That Committee notes the report, commenting and challenging as appropriate.

3.0 Considerations

3.1. Purpose of Risk Management

- 3.1.1. The Council has several key goals regarding how it will care for and support the people and area of Clackmannanshire. In order to plan how we will achieve these goals, we must also consider the internal and external challenges that could prevent or hinder their achievement. An effective risk management approach ensures that the Council is aware of such factors and, where appropriate, takes action to reduce or remove risks to ensure the success of its initiatives. The purpose of risk management is not to prevent activities from taking place, but to ensure that all relevant factors are taken into account in their planning and execution so that the best possible outcomes are realised.
- 3.1.2. Council officers and services deal with a wide variety of operational risks to individuals, communities and internal management processes on a daily basis. A corporate risk management approach, however, must take a wider, more strategic view and consider the implications of short-, medium- and long-term concerns, as well as the (often complex) inter-dependencies between risks. The hierarchy of risk logs from teams, to services (and partnerships), to the corporate log should ensure that the Council has holistic oversight of the most significant issues which must be monitored and managed.
- 3.1.3. Steps are taken to integrate the risk assessment process with key functions, such as Internal Audit, Legal & Democracy, Human Resources, Equalities, Communications, Emergency Planning, Asset Management, Sustainability, etc. Though external auditors' main focus is financial management, Audit Scotland's revised Best Value Assurance approach aims to enhance assessment of wider areas, such as performance and change management, to present a more comprehensive audit opinion. For the same reason, this report presents corporate risk alongside external audit (and resilience) issues to ensure that key internal and external views and factors are summarised together.

3.2. Corporate Risk Management Process

3.2.1. The corporate risk log is owned by the Strategic Leadership Group, and the Strategic Director – Partnership & Performance is responsible for the corporate Risk Management approach. The Council follows a systematic risk process, reporting corporate and service risks to Committee on a regular basis. The process is assessed via internal and external governance and audit mechanisms, and peer-reviewed by other local authorities.

3.2.2. Each review involves gathering information from internal and external sources (environmental scanning) and review of the log by a range of different individuals and groups. Meetings are held with risk owners and delegated officers, to:

- Review changes and developments in existing corporate and service risks (review progress, controls and scores, and consider escalation/demotion);
- Analyse dependencies, 'knock-on effects' and wider perspectives (i.e. discussing with both the approach/action owners, and those who must adhere/deploy/react);
- Investigate emerging externally-identified risks for local relevance (local audit/inspection, other authorities, national themes and Association of Local Authority Risk Managers);
- Evaluate emerging internally-identified risks (such as those highlighted through Internal Audits, self-assessments and the Annual Governance Statement process).

3.2.3. Risks with implications across multiple services, or assessed as significant for any specific area, are considered for escalation to the corporate log, where they are managed until their severity reduces. Risks are recorded on the Pentana Performance Management System and linked to outcomes, actions (or overall plans/strategies) and existing controls (policies, procedures, scrutiny, etc.). It would be impossible to remove all risk from our operations as most Council functions have inherent risks, as do most organisational changes, thus, never taking risks would also mean failing to meet statutory duties and/or missing improvement opportunities. The aim, therefore, is not to be 'risk averse', but 'risk aware'.

3.2.4. We identify our approach to managing each risk as:

- Treat: we will take action to reduce the risk;
- Tolerate: actions within our control have been completed and plans are in place;
- Transfer: the risk will be passed to another party, such as insurers;
- Terminate: the activity that is causing the risk will be ceased.

3.2.5. The new senior management appointments have provided a timely opportunity to evaluate mechanisms and governance. Changes have been made to the Corporate Risk & Integrity Forum arrangements, whereby the Strategic Leadership Group now reviews risk quarterly with updates from ad hoc attendees, depending on the current risk profile. This improves visibility, ownership and input at the most senior level, and provides flexibility to address the most significant risks at any given time. The increased review frequency also strengthens corporate focus on risk, and ensures preventative steps are taken in a timely manner to minimise negative impact on the achievement of outcomes.

3.2.6. The Corporate Risk Management Policy & Strategy is currently under review and the guidance (an appendix to the strategy) is always included with year-end risk reports, for information. With the new LOIP and Corporate Plan in place, once the organisational structure has been finalised and service managers appointed, a full strategic corporate risk assessment will be conducted, followed by service and team reviews. This will ensure that risk logs are a fully refreshed reflection of the implications around the outward-looking LOIP, additional Corporate Plan priorities regarding internal Council management, and service and senior management responsibilities and duties.

3.3. Corporate Risk Log – Appendix A

3.3.1. As seen in the current risk profile, in periods of transition there are commonly a number of related high risks while changes in leadership/structures are embedded, and other processes reviewed. As well as internal issues, wider current political, social and economic factors also present uncertainties across a wide range of Council functions. In this report, the main changes are EU Withdrawal moving from Tolerate to Treat, and the escalation of Attainment Gap from the Education service log. Scores have increased and reduced in equal numbers and, in other cases, mitigating actions or other factors have changed risks' severity, though not with the materiality required to change the score itself.

Approach: Treat

3.3.2. As highlighted by Audit Scotland, Financial Resilience, Organisational Change and Governance remain key concerns, with the appointment of the Change Programme Manager a vital milestone for future mitigation of all three. Focus also remains on Health & Safety compliance, with continued provision of training, support and advice for staff. As reflected in the LOIP, Child Protection is always a key priority, and while workforce issues have increased the score at present, substantial service review, focussing on recruitment and staff development, aims to reduce it again in the future.

3.3.3. EU Withdrawal has moved from Tolerate to Treat, with significant preparatory activity since the last report, despite a changeable national position (further details in Statement of Preparedness). Changes in understanding and analysis have reduced the Welfare Reform score, however, Scottish/UK Government decisions around homeless rents could have negative impacts. While the LOIP is designed to address Changing Demographics, Health & Social Care overspend suggests that demand and inequalities are still not being fully addressed by planning and resource allocation. Work continues around Extremism, with developments in security protocols, plans, training and information for staff.

3.3.4. Attainment Gap has been escalated from the Education risk log due to its significance to corporate goals, and Scottish Attainment Challenge actions continue to be progressed, with an improving trend in overall attainment. Capacity and capability improvements, and cloud-based technologies reduce long-term impact of IT System Failure. Increased knowledge of vulnerabilities would raise the Serious Organised Crime score, however, balanced with improved controls, it remains consistent. Workforce Planning has increased due to close links to high risks, however, this will be similarly mitigated by the Change Programme. During transition and contraction, Information Management is also key, with new GDPR and digital transformation implications, and roll-out of controls and staff support continues.

Approach: Tolerate

3.3.5. These are generally risks where the cause/likelihood is less controllable (often Business Continuity-related), where we must focus more on response than prevention. Council and partnership work continues to strengthen resilience in relation to Public Utilities. The conclusion of national multi-year pay negotiations reduces the risk of strike action, however, Industrial Unrest remains consistent due to increased morale/productivity/uncertainty issues around transition and organisational restructuring.

3.3.6. 2018 was a clear example of Climate Change impacts materialising in both the summer and winter, therefore, it cannot be expected that the risk of Severe Weather will reduce based on seasonality. Public Health Emergency has been at a tolerable level for 2 years and, though plans have been tested to a certain extent, has not materialised as expected. This risk will, therefore, be removed from the log and re-instated should further concerns arise (with continued monitoring and reporting via the Statement of Preparedness).

3.4. Annual Statement of Preparedness 2018/19 – Appendix B

- 3.4.1. The controls in place to respond to the most significant Emergency Planning/Business Continuity risks are shown in more detail in Appendix B. These focus on the nature and scale of individual impacts and provide more information on the different internal and external controls in place. Flooding and other types of Severe Weather are also separated to show the differing responses required, and the longer term Climate Change risk is also included. Though most of these risks are 'Tolerated', work continues on refining plans and incorporating learning from any incidents that do occur.
- 3.4.2. As shown in the final section, almost all recent resilience activity has focussed on preparing for the UK's withdrawal from the European Union. The short-, medium- and long-term implications across a wide range of sectors have been analysed, and plans and monitoring arrangements put in place. National requirements of the Brexit Co-ordination Centre (such as establishing an Incident Management Team) were met and contributions made via the Scottish Resilience Partnership. A heightened level and frequency of reporting was in place briefly, but was reduced again when the Brexit deadline was deferred. We will continue to monitor developments, and respond accordingly.

3.5. 2017/18 External Audit Actions – Appendix C

- 3.5.1. As would be expected, External Audit actions focus on more operational aspects of the Finance function, and a number relate directly to some of the highest-scored corporate risks, i.e. Financial Resilience, Organisational Change and Governance. 4 actions are complete, and the remaining 3 are each at least a third complete, with the overall list nearly three quarters complete (target dates were not assigned by Audit Scotland). Similarly to many corporate risks, the outstanding actions will be addressed through implementation of the new Corporate Plan, including the organisational redesign, the corporate transformation programme and further refinements to financial processes.

3.6. Corporate Risk Management Guidance – Appendix D

- 3.6.1. The Corporate Risk Management Guidance is provided alongside this report to provide Members with information on the principles and processes followed in relation to Risk Management, as well as their role in Risk Scrutiny. This version of the guidance was produced in 2015 as a key practical appendix to the Corporate Risk Management Policy and Strategy. This is currently under review, and the revised version will be presented to Committee, once approved by the Strategic Leadership Group.
- 3.6.2. Though some changes to Committee structures, etc. have occurred since the guidance was produced, all other aspects remain relevant to how we assess and manage risks. The guidance is applicable at a team, service, corporate and partnership level. Though risk management can never be an 'exact science', and must inherently involve a certain degree of forecasting, estimation and subjectivity, use of the guidance ensures that the Council can provide assurance that an appropriate, consistent and robust approach is in place. Further advice, support and facilitation is also provided to Council services and partnerships on an ongoing basis by the Strategy & Performance team.

4.0 Sustainability Implications

4.1. There are no direct sustainability implications arising from this report.

5.0 Resource Implications

5.1. *Financial Details – There are no direct financial implications arising from this report.*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ✓

5.3. Finance have been consulted and have agreed the financial implications as set out. Yes ✓

5.4. *Staffing – There are no direct staffing implications arising from this report.*

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No ✓

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all ✓

Our families; children and young people will have the best possible start in life ✓

Women and girls will be confident and aspirational, and achieve their full potential ✓

Our communities will be resilient and empowered so that they can thrive and flourish ✓

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? Yes ✓ No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ✓

10.0 Appendices

10.1 Please list any appendices attached. If there are no appendices, please state "none".

- Appendix A – Corporate Risk Log**
- Appendix B – Annual Statement of Preparedness 2018/19**
- Appendix C – External Audit Actions**
- Appendix D – Corporate Risk Management Guidance**

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered) Yes (please list the documents below) No ✓

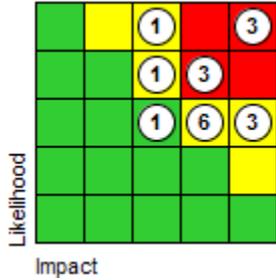
Author(s)

| NAME | DESIGNATION | TEL NO / EXTENSION |
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| Judi Richardson | Performance & Information Adviser | 2105 |

Approved by

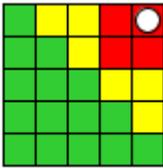
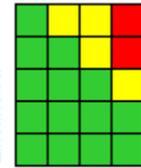
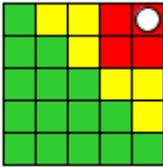
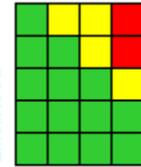
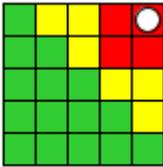
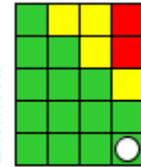
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| Stuart Crickmar | Strategic Director – Partnership & Performance |  |

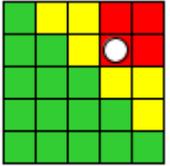
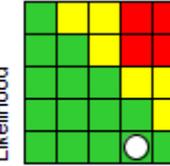
Appendix A - Corporate Risk Log

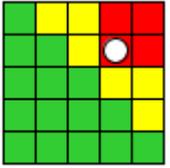
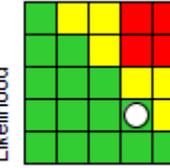
| Summary of Changes | Distribution of Scores |
|--|---|
| <p>At the 2018/19 year end stage (out of a total of 18 risks):</p> <p><u>Status</u></p> <ul style="list-style-type: none">  6 risks are red (same as in the previous report – 2018/19 half year)  11 risks are amber (increase from 9 – 1 green increased and 1 new)  1 risks is green (same as in previous report) <p><u>Approach</u></p> <p>14 risks are being Treated (increase from 12 – 1 changed from Tolerate and 1 new)</p> <p>4 risks must be Tolerated (decrease from 5)</p> <p><u>Change in Scores Since Last Review</u></p> <ul style="list-style-type: none">  2 risks have increased  13 risks remain the same  2 risks have reduced  1 risk has been newly added to the log  1 risk will be removed from the log after this report |  |

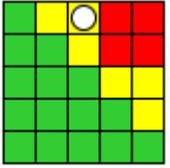
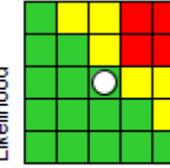
| Code | Title | Score | Status | Approach | Change |
|-------------|--|-------|---|----------|---|
| COU CRR 008 | Insufficient Financial Resilience | 25 |  | Treat |  |
| COU CRR 034 | Insufficient Pace and Scale of Organisational Change | 25 |  | Treat |  |
| COU CRR 012 | Health & Safety Non-compliance | 25 |  | Treat |  |
| COU CRR 033 | Major Governance Failure | 16 |  | Treat |  |
| COU CRR 011 | Harm to Child(ren) | 16 |  | Treat |  |
| COU CRR 040 | Failure of Public Utility Supply | 16 |  | Tolerate |  |
| COU CRR 045 | Unknown Terms of EU Withdrawal | 15 |  | Treat |  |
| COU CRR 032 | Council & Community Impact of Welfare Reform | 15 |  | Treat |  |
| COU CRR 005 | Inability to Respond to Changing Demographics | 15 |  | Treat |  |
| COU CRR 038 | Failure to Prevent Extremism and/or Radicalisation | 15 |  | Treat |  |
| COU CRR 048 | Increasing Attainment Gap | 12 |  | Treat |  |
| COU CRR 046 | IT System Failure | 12 |  | Treat |  |
| COU CRR 037 | Failure to Address Serious Organised Crime | 12 |  | Treat |  |
| COU CRR 047 | Inadequate Workforce Planning | 12 |  | Treat |  |
| COU CRR 009 | Information Not Managed Effectively | 12 |  | Treat |  |
| COU CRR 023 | Industrial Unrest | 12 |  | Tolerate |  |
| COU CRR 031 | Failure to Prepare for Severe Weather Events | 12 |  | Tolerate |  |
| COU CRR 022 | Public Health Emergency | 9 |  | Tolerate |  |

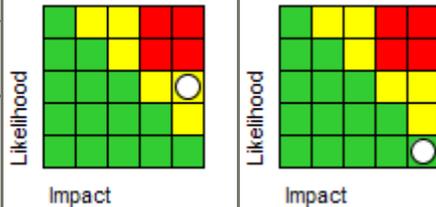
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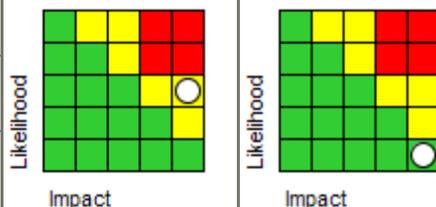
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|--|--|---|-----------------------|---|------------------------------------|---|---|
|  |  | Insufficient Financial Resilience | Chief Finance Officer | Current Score | 25 | Target Score | 5 |
| Risk | The Council does not have a balanced budget to meet essential service demands, customer needs, or external agendas. | | |  | |  | |
| Potential Impact | Reputational and legal implications and severe, extended loss of service provision. Possibility of Alliance, Health & Social Care and other partners also experiencing budget pressures contributes to potential impact, given the interdependencies. | | | Likelihood | | Likelihood | |
| Note | The cumulative funding gap to 2023 is £23.5m, with continuing need for significant budget reductions. Given the significant savings already achieved, it is extremely challenging to identify new proposals, and significant priority is being given to progressing the Council's organisational redesign and transformational change. | | | Impact | | Impact | |
| Related Actions | Audit of 2017/18 Accounts by Audit Scotland | | COU EXA 178 | Existing Controls | Budget Strategy & Monitoring | | |
| | Use the agreed strategic change framework to implement a whole organisation redesign | | EXA BVA 1A0 | | Procurement Strategy | | |
| | Balance drive for savings with need for change support & make more use of external assistance | | EXA BVA 4F0 | | Change Management Board | | |
|  |  | Insufficient Pace and Scale of Organisational Change | Chief Executive | Current Score | 25 | Target Score | 5 |
| Risk | The Council fails to proactively drive the fundamental redesign of services and organisational planning/development with the speed required to address the funding gap due to ineffective change management. | | |  | |  | |
| Potential Impact | Failure to maintain the required level of provision for statutory services. The corporate business improvement programme does not establish sustainable service delivery and a sustainable cost base for the future. | | | Likelihood | | Likelihood | |
| Note | Change programme governance proposals approved by Council on 23-Aug-18, Programme Manager now in post. Services continue to identify changes/projects to achieve savings & deliver LOIP commitments, including City Deal opportunities. Service redesign currently behind programme and expected savings were not achieved in full during 2018/19. | | | Impact | | Impact | |
| Related Actions | Establish a Programme Management Office to support organisational redesign | | EXA BVA 1B0 | Existing Controls | Communications Strategy | | |
| | Establish a governance process and structure to drive, oversee and monitor the change process | | EXA BVA 1C0 | | Business Planning Process | | |
| | Carry out a programme of training in leading and managing transformational change | | EXA BVA 4F1 | | Union & Member Comms Forums | | |
|  |  | Health & Safety Non-compliance | Chief Executive | Current Score | 25 | Target Score | 4 |
| Risk | Incident or statutory breach results in injury or death of staff member or customer due to lack of awareness or non-compliance with policies and procedures. Incidents may also arise from third parties actions, outwith Council control. | | |  | |  | |
| Potential Impact | The effects on individuals and their families, financial penalties (including Health & Safety Executive intervention fees), criminal proceedings, adverse publicity, increased insurance or damage to Council assets. | | | Likelihood | | Likelihood | |
| Note | While work is progressing, there are still significant gaps between policies/procedures and accepted practice in some areas of the Council. Communication and culture are key, and recent Health & Safety Executive advice will be incorporated. | | | Impact | | Impact | |
| Related Actions | Health & Safety action plan, based on recommendations from Gallagher Bassett | | CRR P&P HR1 | Existing Controls | Health & Safety Management System | | |
| | Governance improvement actions across all services | | CRR P&P LD1 | | Health & Safety Managers' Handbook | | |

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|--|---|---------------------------------|--|---|-------------------------------|---|---|
|  |  | Major Governance Failure | Strategic Director - Partnership & Performance | Current Score | 16 | Target Score | 4 |
| Risk | A significant failure of compliance with statutory duties due to a lack of awareness or understanding of corporate policies or codes of conduct, or through non-adherence, including through management or elected member override of controls. | | |  | |  | |
| Potential Impact | Significant reputational damage, injury or loss of life, legal action, financial loss or disruption to service delivery. Staffing changes and re-design reaffirm need to closely monitor & manage compliance with statutory requirements & good practice. | | | Likelihood | | Likelihood | |
| Note | This risk remains high. New committee structures have been in place since August. Standing Orders & Scheme of Delegation will be revised to reflect new appointments & responsibilities, and annual Governance process is under review. | | | Impact | | Impact | |
| Related Actions | Audit of 2017/18 Accounts by Audit Scotland | | COU EXA 178 | Existing Controls | Scheme of Delegation | | |
| | Annual Internal Audit Programme | | COU IAF | | Governance & Audit Processes | | |
| | Annual Governance Statement improvement actions across all services | | CRR P&P LD1 | | Committee Structures & Remits | | |

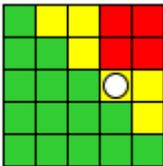
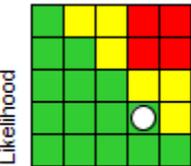
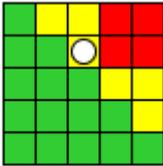
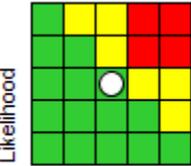
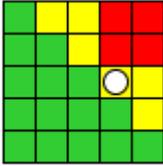
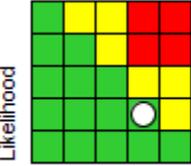
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|  |  | Harm to Child(ren) | Strategic Director - People | Current Score | 16 | Target Score | 8 |
| Risk | A lack of capacity or stability in key roles reduces the Council's ability to fulfil statutory requirements and intervene to prevent the serious harm of a child/children. | | |  | |  | |
| Potential Impact | Effects of injury or death on individual, family, friends & staff members, reputational & legal implications, with associated costs, as well as impact of reputational damage & negative publicity on morale, workforce development and sustainability. | | | Likelihood | | Likelihood | |
| Note | Children's Social Work services have embarked on a significant improvement journey, as outlined in the Corporate Parenting Strategy and related plans. A substantial service review has been undertaken across a wide range of areas, particularly focussing on workforce development. While these activities will reduce this risk in the future, the score is being increased at the moment to more accurately reflect the scale of issues and gaps in capacity currently being managed. | | | Impact | | Impact | |
| Related Actions | Develop and Implement a new Corporate Parenting Strategy for 2018/2021 | | LOI LP1 102 | Existing Controls | Child Protection Procedures | | |
| | Social Services Business Plan 2017-22 | | SOS BP 17-22 | | Public Protection Forum | | |
| | Children's Services Plan 2017-2020 | | SOS CHC CSP | | Child Protection Committee | | |

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|--|---|---------------------------------------|-----------------|---|----|---|---|
|  |  | Unknown Terms of EU Withdrawal | Chief Executive | Current Score | 15 | Target Score | 9 |
| Risk | The Council is unable to prepare for the potential impact of Brexit due to uncertainty around the terms of withdrawal, future relationships with European Union nations, or the timing of withdrawal (possible extension of Article 50 period). | | |  | |  | |
| Potential Impact | Inability to assess/mitigate/prepare for impact on migration, trade, regulation, security, or wider impacts across sectors (see Brexit Update to Council, 25-Oct-18). Also differing geographical impacts for Clacks (economic resilience) and Scotland (food/drink) than UK. Local impact most likely workforce, economy/procurement & value/funding of goods & services. | | | Likelihood | | Likelihood | |
| Note | Work is ongoing to monitor the potential impacts of EU withdrawal based on the Scottish and UK planning assumptions. Information has been shared with employees, elected members and with communities on potential impacts and to plan mitigations. Information for employees and communities has been shared on the Council website. Work in partnerships with resilience partners, COSLA and SOLACE is ongoing. Future update reports will be prepared for Council. | | | Impact | | Impact | |
| Actions | Local actions & those recommended/required by Scottish Resilience Partnership/Brexit Co-ordination Centre | | Controls | Brexit Update Reports to Council | | | |

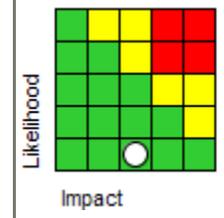
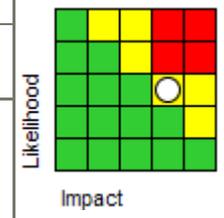
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|   | Council & Community Impact of Welfare Reform | Strategic Director - Partnership & Performance | Current Score | 15 | Target Score | 5 |
| Risk | The welfare reform agenda increases deprivation in the area, removes £8 to £10 million from the local economy and requires the Council to provide additional services and support due to a national priority of reducing welfare expenditure. | |  | | | |
| Potential Impact | Reversal of efforts to reduce deprivation and improve economic development in the area, as well as reputational, budget and staffing implications of providing new services (impact of the transfer to Universal Credit cannot yet be quantified). | | | | | |
| Note | The real risk is impact to local economy which, as Universal Credit and other measures fully roll out, will require ongoing monitoring for impact on local community and LOIP outcomes. For Council General Services Account, likely to directly impact income from homeless rents which cover cost of provision. Whilst at present UK Government have outlined support to continue to pay costs via Housing Benefit, Scottish Government currently re-examining issue of rents for homeless accommodation. Reduction could significantly impact income for provision of homeless services (statutory requirement). | | | | | |
| Related Actions | Put in place targeted and intensive early intervention support programmes which address the impact of poverty and invests in the long term outcomes for children and young people | LOI LP1 108 | Existing Controls | Scottish Welfare Fund (Crisis & Community Grants) | | |
| | Develop a new Inclusive Economic Growth Strategy with focus on developing a skilled workforce | LOI LP1 203 | | Discretionary Housing Payments | | |

| | | | | | | |
|--|--|-----------------|---|------------------------------------|--------------|---|
|   | Inability to Respond to Changing Demographics | Chief Executive | Current Score | 15 | Target Score | 5 |
| Risk | Services are not appropriately redesigned based on demand analysis in relation to the 'ageing population', increasing single-person households, school rolls or changing needs regarding health, complexity of care or socio-economic factors. | |  | | | |
| Potential Impact | Inappropriate allocation of resources & assets, misalignment of corporate objectives to need, inability to demonstrate Best Value, and possible financial and reputational consequences of responding to unplanned situations. | | | | | |
| Note | LOIP sets out new partnership outcomes, based on demographic & demand analysis. 8 local priorities in the Health & Care Strategic Plan will strengthen community & place-based services. Developing work on Local Child Poverty Action Reports is in place to reduce levels of poverty in Clackmannanshire. Data & Research routinely informs decision-making. | | | | | |
| Related Actions | Clackmannanshire Alliance Local Outcome Improvement Plan 2017-27 | CPP LOI | Existing Controls | Customer Consultation & Engagement | | |
| | Implement Health & Care Partnership Strategic Delivery Plan | CRR HSC SDP | | Budget Strategy & Monitoring | | |

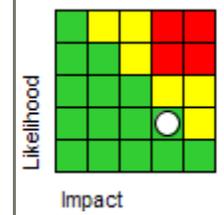
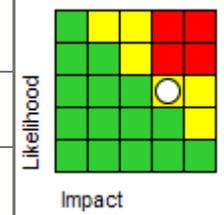
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|--|---|--|---|---|--------------|---|
|   | Failure to Prevent Extremism and/or Radicalisation | Strategic Director - Partnership & Performance | Current Score | 15 | Target Score | 4 |
| Risk | Radicalisation of someone from the area results in terrorist incident (or other malicious attack), causing physical or financial harm to individuals or groups (here or elsewhere), or fear of such an incident affects quality of life. | |  | | | |
| Potential Impact | Casualties/fatalities, property/infrastructure damage, need for evacuation/temporary housing or wider economic damage. Financial harm to individuals, businesses or the Council. Disruption to services or reputational/legal implications. | | | | | |
| Note | Continue to implement CONTEST delivery plan through work with our partners. Internal audit was completed in 2018 with substantial assurance provided. | | | | | |
| Related Actions | Actions from Internal Audit of CONTEST, Prevent & Serious Organised Crime Readiness | CRR P&P SP2 | Existing Controls | FV Local Resilience Partnership CONTEST Plan & Working Groups WRAP Training (High Priority Staff) | | |

| | | | | | | |
|--|---|--|---|--------------------------------------|---|---|
|  N | Increasing Attainment Gap | Chief Education Officer | Current Score | 12 | Target Score | 8 |
| Risk | The Council fails to reduce the educational attainment gap between pupils from more and less deprived areas due to financial pressures, workforce issues, or wider economic, demographic and poverty-related issues. | |  | |  | |
| Potential Impact | Reputational damage, implications for audit/inspection findings & funding, and poor results in school leaver destinations and participation, with longer-term impacts in relation to social mobility, poverty, life chances and the area's economic growth. | | Likelihood | | Likelihood | |
| Note | The Attainment Team has reviewed programmes, ceasing some and redesigning others. Improving Outcomes Principal Teachers in post, and Pupil Equity Fund plan aligned to Attainment Challenge outcomes. Collaborative Research & Evaluation Strategy in place, including work with 3 Universities, and Tapestry Partnership delivering a bespoke programme. | | Impact | | Impact | |
| Related Actions | Scottish Attainment Challenge Action Plan 2018/19 | EDU SAC | Existing Controls | Scottish Attainment Challenge | | |
| | Deliver Attainment Challenge actions and ensure barriers are identified early and addressed | LOI LP1 201 | | National Improvement Framework | | |
|   | IT System Failure | Strategic Director - Partnership & Performance | Current Score | 12 | Target Score | 9 |
| Risk | Full or partial loss of network/hardware/software/telecoms technologies (temporary or prolonged) due to cyber attack/other emergency, failure to manage maintenance/backups/suppliers/contracts, or lack of investment in systems/staff/training (i.e. failure of IT services to uphold priorities of Confidentiality, Integrity and Availability). | |  | |  | |
| Potential Impact | Financial impact from loss of productivity, service disruption (inc. statutory/vulnerable groups), inability to communicate, harm to staff/customers (access to records/Potentially Violent Persons register) & legal/regulatory/reputational implications. | | Likelihood | | Likelihood | |
| Note | Improvements made to backup capacity & capability reduce impact of any failure. Additional internet capacity added to provide resilience when accessing cloud based services. Key systems HR/Payroll and Finance are cloud based thereby distributing risk and enhancing business continuity capability. | | Impact | | Impact | |
| Related Actions | Develop & deliver the Council's Digital Transformation Strategy | CRR P&P IT1 | Existing Controls | Business Continuity Plans | | |
| | Complete actions from IT Asset Management Plan | CRR P&P IT2 | | Service Level Agreements & Contracts | | |
|   | Failure to Address Serious Organised Crime | Strategic Director - Partnership & Performance | Current Score | 12 | Target Score | 8 |
| Risk | Public bodies fail to address the issues around serious organised crime involving drugs, violence, fraud, corruption, money laundering and/or human trafficking, due to a lack of preventative processes or information sharing. | |  | |  | |
| Potential Impact | Physical or financial harm to individuals, businesses, communities or the Council. Direct or indirect disruption to Council services and associated reputational and/or legal implications. | | Likelihood | | Likelihood | |
| Note | Self-assessment completed with Police Scotland and Internal Audit and actions identified. Audit report completed in 2018 with substantial assurance reported. IT/Web security enhanced, staff training provided & CONNECT information on general, cyber personal & building security. Progress monitored by Corporate Risk & Integrity Forum. | | Impact | | Impact | |
| Related Actions | Serious Organised Crime action plan, based on Police Scotland self-assessment | COU SOC | Existing Controls | Let Scotland Flourish Strategy | | |
| | Implement Council CONTEST Delivery Plan, based on the Government's CONTEST Strategy | CRR P&P SP1 | | SOC Delivery Plan | | |
| | Actions from Internal Audit of CONTEST, Prevent & Serious Organised Crime Readiness | CRR P&P SP2 | | National Fraud Initiative | | |

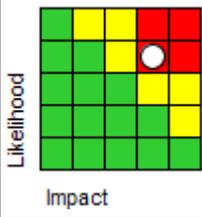
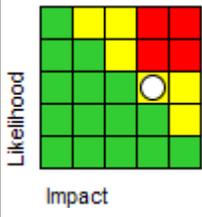
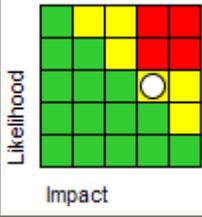
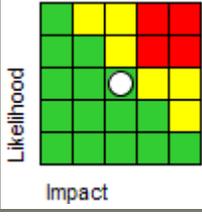
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|--|---|--|-------------------|----------------------------|----|--------------|---|
|   | Inadequate Workforce Planning | Strategic Director - Partnership & Performance | | Current Score | 12 | Target Score | 3 |
| Risk | Due to a lack of workforce planning, the Council fails to adequately develop its workforce to ensure that skills, knowledge and structures are appropriate, sustainable, financially viable, and compatible with our corporate vision. | | | | | | |
| Potential Impact | Lack of intelligence on opportunities & threats around workforce development, resulting in under-investment in workforce and increasing disconnect between the people and skills we have, versus the people and skills we need for the future. | | | | | | |
| Note | The Council has drafted a revised Workforce Plan for period 2019-22 which is currently being considered by SLG. Approval of plan by SLG / Council may further reduce risk. However, with the Council's ongoing transformational programme the impact of inadequate workforce planning is considered to be significant. To support the mitigation of this risk the Council undertook a staff survey in 2018, with resultant actions (as defined by a staff/TU working group) being integrated into our Workforce Plan. This will help define and plan out future OD in support of adequate workforce planning. | | | | | | |
| Related Actions | Identify actions with Staff Survey working group to incorporate into Workforce Plan | CRR P&P HR2 | Existing Controls | Interim Workforce Strategy | | | |
| | Implement the Workforce Plan 2019-22 once approved by Council | CRR P&P HR3 | | | | | |



| | | | | | | | |
|--|--|--|-------------------|-------------------------------|----|--------------|---|
|   | Information Not Managed Effectively | Strategic Director - Partnership & Performance | | Current Score | 12 | Target Score | 8 |
| Risk | Information is not protected due to lack of compliance with information sharing, data protection, records management or IT principles/protocols (Confidentiality, Integrity & Availability), or poor management of information leads to inefficiency (duplication across multiple systems) and decisions based on poor quality/inaccurate business intelligence. | | | | | | |
| Potential Impact | Legal/reputational/financial implications from breaches, inefficiencies costing time/money, non-completion of (possibly statutory) duties. Loss of productivity, impacting morale, or uninformed decision-making if information not available/used. | | | | | | |
| Note | Ongoing work & education on technical & operational controls. CyberEssentials achieved. Focus on Clacks Academy mandatory training. Ongoing consolidation of systems. Council reorganisation brings negative impacts to management of information. Terms of Reference for Information Governance Group approved by ESLG. Digital Strategy to Council 18-Apr. | | | | | | |
| Related Actions | GDPR Implementation Project Plan | COU GDP 000 | Existing Controls | Information Sharing Protocols | | | |
| | Develop & deliver the Council's Digital Transformation Strategy | CRR P&P IT1 | | | | | |
| | Develop a programme of digitisation to support redesign and service change | EXA BVA 1A4 | | | | | |



Approach Tolerate

| | | | | | | | |
|--|---|---|---|---------------|----|-------------------|-------------------------------------|
|  |  | Failure of Public Utility Supply | Strategic Director - Partnership & Performance | Current Score | 16 | Existing Controls | |
| Risk | Loss of gas, electricity, water or communications over a significant area due to failure of a provider's infrastructure as a result of a local or national event. | |  | | | | Business Continuity Plans |
| Potential Effect | Fatality, injury or health risk, requirement to evacuate & find alternative accommodation, including for vulnerable people. Disruption to businesses, with potentially large costs, and impact on contact with health, care and emergency services. | | | | | | Major Incident Procedures |
| Note | Risk remains high due to infrastructure & power interdependencies, particularly outage recovery time (now believed to be minimum 7 days). Priority for Resilience community, particularly due to Councils' duty of care. Planning & work ongoing. | | | | | | Emergency Response Plan |
|  |  | Industrial Unrest | Chief Executive | Current Score | 12 | Existing Controls | |
| Risk | Industrial action by Council staff, partners or suppliers arises, normally in relation to local or national budget-related changes to terms and conditions, or restructuring. | |  | | | | Business Continuity Plans |
| Potential Effect | Immediate effects on service delivery & those dependent on services, with financial and reputational damage, and residual impact on staff morale & productivity. In case of partners/suppliers may have to support or reduce activity/service delivery. | | | | | | Local Resilience Partnership |
| Note | Impact of potential strike action has been mitigated through agreement of national pay awards however locally potential for disengagement, low morale reduced productivity remain a risk which in turn has potential for increased turnover and impact on service delivery. | | | | | | Trade Union Communications Protocol |
|  |  | Failure to Prepare for Severe Weather Events | Strategic Director - Place | Current Score | 12 | Existing Controls | |
| Risk | Inability to respond to severe weather events due to lack of appropriate planning & equipment (e.g. 4x4 vehicles). Most likely flooding from rain/coastal surge, winter weather or heatwave (increasing frequency & severity due to climate change). | |  | | | | Business Continuity Plans |
| Potential Effect | Widespread community dislocation, damage to property, businesses, roads & utility infrastructure (inc. telecoms & power), or inability of staff to get to workplace. Increased workload in numerous services, impact on delivery, reputation & finances. | | | | | | Local Resilience Partnership |
| Note | Controls in place for winter- & flood-related threat, proved broadly robust this year, with lessons learnt built into future plans. Reduced staff numbers threatening resilience but 2 community resilience groups now operating in Hillfoots area. | | | | | | Winter & Flood Management Plan |
|  |  | Public Health Emergency | Chief Executive | Current Score | 9 | Existing Controls | |
| Risk | Significant numbers of Council staff and customers become ill due to the occurrence of a public health emergency, such as a flu pandemic, with spread potentially exacerbated through failure to vaccinate or follow hygiene protocols. | |  | | | | Business Continuity Plans |
| Potential Effect | Short- & long-term health implications for public & staff (inc. absence if ill or caring for others). Disruption to support & front-line services, inc. to already vulnerable groups. Consideration required of minimal service provision requirements. | | | | | | Major Incident Procedures |
| Note | Scottish government focussing on pandemic flu, with significant training programme planned this year through the NHS. | | | | | | Pandemic Flu Plan |

Appendix B – Annual Statement of Preparedness 2018/19

This appendix provides more detail on Council preparedness to respond to the most significant Emergency Planning/Business Continuity risks.

| Risk, Score & Assessment | Impact Category | Consequence Description & Scale | | Internal Controls | External Controls |
|--|------------------------------|---|------|--|---|
| Utility Failure (Loss of Electricity Gas and Water)  16 Developing | Social | <ul style="list-style-type: none"> Service access limitations Loss of Social Media Panic-buying and unrest | High | <ul style="list-style-type: none"> Business Continuity & Emergency Response Plans, Major Emergency Op. Procedures LRP & volunteer training using Clacks scenarios, and in Airwave Communications Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents Power supply backups at Kilncraigs Ongoing work to import other resilient systems through voluntary sector LRP Transport & local fuel bunkering Plan Training and workshops on this topic being run, including for senior staff National Plan at Strategic and tactical level almost complete. For local implementation | <ul style="list-style-type: none"> Emergency Response, and Resilience & Preparedness Frameworks LRP/RRP Mass Fatalities Framework LRP Public Communications Framework Resilient telecoms work on potential outside systems Scottish Government Resilience Office well practiced in recent events and has experience through FRB closure RRP structure improving mutual aid RRP Developing transport plan Separate RRP workstream on this topic, national plan to be developed Multi-agency work ongoing to minimise impacts Resilient telecoms Plan |
| | Health | <ul style="list-style-type: none"> Failure of food/fuel supply chain Disruption to care service Hygiene issues from lack of water (or ability to heat) | High | | |
| | Economic | <ul style="list-style-type: none"> Loss of productivity/ business failure (inc. food outlets > no cold storage) | High | | |
| | Environment | <ul style="list-style-type: none"> Leaks of damaging products from system loss | Low | | |
| | Co-ordination/ Communication | <ul style="list-style-type: none"> Collapse of all phone- and internet-based comms at time of high demand | High | | |
| CONTEST Prepare thread (Anti-extremism)  15 Developing | Social | <ul style="list-style-type: none"> Fear & uncertainty Need for local leadership | High | <ul style="list-style-type: none"> Business Continuity/Emergency Resp. Plan Major Emergency Operational Procedures LRP & volunteer training using Clacks scenarios, and in Airwave Communications Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents Recruitment of Vulnerable Persons Team Power supply backups at Kilncraigs Council GraSP plan, training and cascade of security information to managers and staff New Portal complete Security Plan being worked on Major Security Exercise Border Reiver 2017 Ongoing work to import other resilient systems through voluntary sector | <ul style="list-style-type: none"> LRP Emergency Response Framework LRP Resilience & Preparedness Framework LRP/RRP Mass Fatalities Framework LRP Public Communications Framework Adoption of Resilience Direct Resilient Telecoms Plans Tried and tested working and exercising Debriefs on 'Move to Critical' even post Manchester bombing Sharing information and good practice with similar agencies |
| | Health | <ul style="list-style-type: none"> Casualties & fatalities Medical facility capacity | High | | |
| | Economic | <ul style="list-style-type: none"> Effect on industry/ consumer confidence Disruption of transport/fuel supplies (if Grangemouth) | Low | | |
| | Environment | <ul style="list-style-type: none"> Permanent loss of facility (if CBRN incident) Council must lead long-term recovery phase | Low | | |
| | Co-ordination/ Communication | <ul style="list-style-type: none"> Massive requirement for communication with public | High | | |
| | Co-ordination/ Communication | <ul style="list-style-type: none"> Massive requirement for communication with public | High | | |

| Risk, Score & Assessment | Impact Category | Consequence Description & Scale | | Internal Controls | External Controls |
|---|-----------------------------|--|-----------|--|--|
| | | | | | |
| Severe Weather  12 Developing | Social | <ul style="list-style-type: none"> Care and other services Travel dislocation | High | <ul style="list-style-type: none"> Travel Plan, Business Continuity & Emergency Response Plans, Major Emergency Procedures LRP & volunteer training using Clacks scenarios, and in Airwave Communications Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system. Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents Recruitment of Vulnerable Persons Team Use of Voluntary and internal 4x4 teams | <ul style="list-style-type: none"> RRP Transport plan for Forth bridge LRP Emergency Response, Resilience & Preparedness, Mass Fatalities & Public Communications Frameworks Strong links with utility companies Tried and tested working and exercising LRP Exercise winter 2015 Recent events, such as FRB closure / Snow have provided knowledge & experience of team working and BCM |
| | Health | <ul style="list-style-type: none"> People cut off from others Loss of utility e.g. power | High | | |
| | Economic | <ul style="list-style-type: none"> Loss productivity/comms | High | | |
| | Environment | <ul style="list-style-type: none"> Loss of road access Damage to trees | Med | | |
| | Co-ordination/Communication | <ul style="list-style-type: none"> Co-ordination issues > loss of web and phone | High | | |
| Flooding (due to intense rainfall and/or coastal flooding from high tides & tidal surges)  12 Developing | Social | <ul style="list-style-type: none"> Care and other services Property | High | <ul style="list-style-type: none"> Roads & Flood Management, Business Continuity & Emergency Response Plans, Major Emergency Operational Procedures LRP & volunteer training using Clacks scenarios, and in Airwave Communications Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system. Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents Recruitment of Vulnerable Persons Team (SW) | <ul style="list-style-type: none"> LRP Emergency Response, Resilience & Preparedness, Care for People and Communications Frameworks LRP Voluntary Sector Coordinating Group and Single Point of Contact RRP Resilient Telecoms working group Adoption of Resilience Direct LRP Flood plan (focus on fuel supply) Understanding by Flood managers and EP staff of coastal flood causes |
| | Health | <ul style="list-style-type: none"> Primary Care Casualties or fatalities | Med | | |
| | Economic | <ul style="list-style-type: none"> Local Economy Business Continuity | High | | |
| | Environment | <ul style="list-style-type: none"> Damage & clean up | High | | |
| | Co-ordination/Communication | <ul style="list-style-type: none"> Public information Multi-agency/central govt | Med | | |
| Public Health Emergency  9 Developing | Social | <ul style="list-style-type: none"> Care and other services | High | <ul style="list-style-type: none"> National Flu Pandemic, Business Continuity & Emergency Response Plans, Major Emergency Operational Procedures Local & national Manager Resilience Training Continual local and RRP vigilance on diseases Exercising in regard to multi agency work - Exercise Coal Tip - March 2016 in Alloa. Recruitment of Vulnerable Persons Team Learning from Snow Events 17/18 | <ul style="list-style-type: none"> LRP Care for People Framework NHS Planning Framework LRP/RRP Mass Fatalities Framework LRP/RRP Communications Framework Scotland-wide 5 month exercise - 'Silver Swan' (2015) and follow-up with outside care providers Animal Health Plans and exercising |
| | Health | <ul style="list-style-type: none"> Care & Public Health Fatalities | Very High | | |
| | Economic | <ul style="list-style-type: none"> Business Continuity Impact on local economy | High | | |
| | Environment | <ul style="list-style-type: none"> Damage & clean up | Low | | |
| | Co-ordination/Communication | <ul style="list-style-type: none"> Public information Multi-agency/central govt | Very High | | |
| Negative Impact of Climate Change  9 Developing | Social | <ul style="list-style-type: none"> Care and other services Property | High | <ul style="list-style-type: none"> Sustainability & Climate Change Strategy Local Biodiversity Action Plan Carbon Management Plan & Energy Strategy Flood Management Plan Roads Asset Management Plan Business Continuity Plan Emergency Response Plan Major Emergency Operational Procedures Recruitment of Vulnerable Persons Team | <ul style="list-style-type: none"> LRP Care for People Framework NHS Planning Framework LRP Emergency Response Framework Resilience & Preparedness Framework LRP/RRP Mass Fatalities Framework LRP Communications Framework LRP Flood plan focussing on Grangemouth and fuel supply Improved staff understanding of causes |
| | Health | <ul style="list-style-type: none"> Primary Care Casualties or Fatalities | Med | | |
| | Economic | <ul style="list-style-type: none"> Local Economy Business Continuity | High | | |
| | Environment | <ul style="list-style-type: none"> Damage & clean up | High | | |
| | Co-ordination/Communication | <ul style="list-style-type: none"> Public information Multi-agency/central govt | High | | |

The Way Ahead

1. Multi-agency sub-group has been established through LRP to identify more efficient and effective processes for partner agencies to identify "persons at risk" focussing on data sharing and data quality. Agreement has now been reached with Forth Valley NHS and the 3 Councils to pre-prepare data for this purpose. Agreement on data sharing from Clacks now with FVNHS awaiting implementation.
2. RRP Resilience and Preparedness Sub-group are reviewing the generic recovery framework following national exercise in 2017 – Border Reiver.
3. Communication Framework being reviewed in light of outcomes from national exercise
4. Clackmannanshire will contribute as a Category 1 member to these national frameworks and continue to review local plans and revise as appropriate
5. A number of Senior Managers have undergone Tactical Managers Training – more to undergo training.
6. Ongoing multi-agency discussion in regard to flood preparedness development in Hillfoots area.

Capability Maturity Levels Defined

| | |
|-------------|---|
| Developing | Not all risk critical elements of the capability to meet the required response are in place. Further capability development to achieve the required response will be progressed locally and/or part of the multi agency. LRP/RRP capability development programme. |
| Achieving | All capability development to meet the risk critical elements of the response has been undertaken. Areas to improve the response have been identified and will be progressed locally and/or as part of the LRP/RRP capability development programme. |
| Maintaining | The LRP/RRP has a fully mature capability and in addition to this an active programme of monitoring and reviewing is in place to progress lessons identified and learnt at appropriate intervals. Further to this, maintenance of skills programme for responders has been developed and implemented. |

Additional Information

Given the restructuring of Police and Fire Services in Scotland, the new structures of Local Resilience Partnerships (LRPs) are now well established having locally directly replaced the LRP in Tactical matters. The Forth Valley LRP has now met for real in numerous situations and by teleconference for others. Whilst the member organisations which constitute category 1 responders remain as before geographical and administrative changes to structure and deployment are being implemented. The larger Regional Resilience Partnership is still developing although its work streams are well established and give a wider area view on developments and processes.

EU Withdrawal

There are limited updates to this Statement from the 2017/18 position, as virtually all resilience work has focussed on preparing for the UK's withdrawal from the European Union (see EU Withdrawal risk in Appendix A). Given the fluctuations at a national level, preparations have been changeable and challenging due to the lack of clarity. Work has focussed on a 'reasonable worst-case scenario' to ensure all eventualities are considered, as well as 'layering' of events, i.e. multiple risks occurring simultaneously and exacerbating each other.

On the basis of national planning assumptions, work progresses at a local, regional and national level, including with the Scottish Resilience Partnership. The Council has established Corporate EU Exit and Core Officers Resilience groups, identified strategic, tactical and operational leads for planning and response, and provided updates via Resilience Direct. A 'Brexit Barometer' informs Agency Reports to the Scottish Government and Brexit Co-ordination Centre, providing a summary of internal, region-wide and broader community metrics and issues.

Our local risk assessment has been submitted, with information gathered to assess, prioritise and identify mitigating actions for key risks around workforce, returnees, public unrest, goods, services, supply chains (including food, fuel and pharmaceuticals), transport, imports, funding, etc. Council services have been advised to review Business Continuity Plans, and briefing sessions and reports have been provided for internal management and Elected Members. The Council will continue with preparations and participation in multi-agency planning meetings, events, exercises and teleconferences, and will provide further updates when possible.

Appendix C - External Audit Actions

Audit of 2017/18 Accounts by Audit Scotland

Overall Progress 74%

From External Audit Final Report to Members on the 2017/18 Audit, to Clackmannanshire Council on 27-Sep-2018.

| Submission of Financial Statements for Audit | | Chief Finance Officer | | | EXA 178 001 | |
|---|--|-----------------------|--|------------------|-------------|----------|
| Observation | This was a transitional year in terms of the form and content of the annual report and accounts and coincided with changes in the staff involved in their preparation. We noted several presentational and disclosure issues which in our view could have been identified by a more comprehensive review before submission for audit. In addition, the working papers provided to support the financial statements were incomplete | | | | | |
| Risk | Poor quality and inaccurate financial statements are presented for audit and to councillors | | | | | |
| Recommendation | The council should review its arrangements for preparing the financial statements to ensure their quality and accuracy | | | | | |
| Progress | 100% | Status | | Expected Outcome | | Due Date |
| <p>31-Mar-2019</p> <p>The timing of a number of key staff departures left the finance team on a steep learning curve for the year end. A number of learning points have been recorded from the process and these have been implemented for the 2018/19 accounts including earlier planning, a review of task allocation & timescales, reviews of working papers and weekly progress meetings.</p> | | | | | | |

| Assets Under Construction | | Chief Finance Officer | | | EXA 178 002 | |
|---|---|-----------------------|--|------------------|-------------|----------|
| Observation | Our audit testing identified that the council has misclassified several assets as assets under construction in the financial statements. Construction of these assets was completed in previous years and some of the assets had been sold. Weaknesses in communication between the council's estates and finance teams meant that the council's fixed asset register and financial ledger had not been updated to reflect these changes. As a result, assets with a total value of £4.6million were incorrectly disclosed as assets under construction in the accounts presented for audit | | | | | |
| Risk | The Council is not aware of changes affecting its assets which results in errors in the financial statements | | | | | |
| Recommendation | The council should ensure there is clear and regular communication between the finance team and other service areas, particularly during the financial statements preparation process. | | | | | |
| Progress | 100% | Status | | Expected Outcome | | Due Date |
| <p>31-Mar-2019</p> <p>With the loss of the only Council surveyor and the Capital Investment Group ceasing, communications did fail. A new Capital Operations Group has now been implemented, with communication and joint working now in operation. This has occurred before the audit commenced.</p> | | | | | | |

| Capital Programme | | Chief Finance Officer | | | EXA 178 003 | |
|---|--|-----------------------|--|------------------|-------------|----------|
| Observation | The council's trend of capital underspending continued in 2017/18 with an underspend of £10.1 million on the capital programme which represents 52% of planned spending. The capital programme is a major part of the council's plans to achieve savings and improve services. It mainly includes major infrastructure projects that will help the council to deliver services more efficiently. There is a risk that recurring underspending leads to slippage in the capital programme which will affect the council's ability to achieve these aims | | | | | |
| Risk | Recurring underspending leads to slippage in the capital programme which affects the council's ability to achieve savings and improve services | | | | | |
| Recommendation | The council should press on with work to improve the management of its capital programme | | | | | |
| Progress | 40% | Status | | Expected Outcome | | Due Date |
| <p>31-Mar-2019</p> <p>The capital planning priorities are currently under review as the new Strategic Directors begin to review their budgets and long-term capital plans. These are being aligned with the draft Corporate plan and LOIP outcomes. A capital strategy will be produced which will set out the vision and context for these plans. Elected members and the Capital Operations Group will be actively involved in scrutinising the Capital Strategy, related Asset Plans and spend against the agreed programme.</p> | | | | | | |

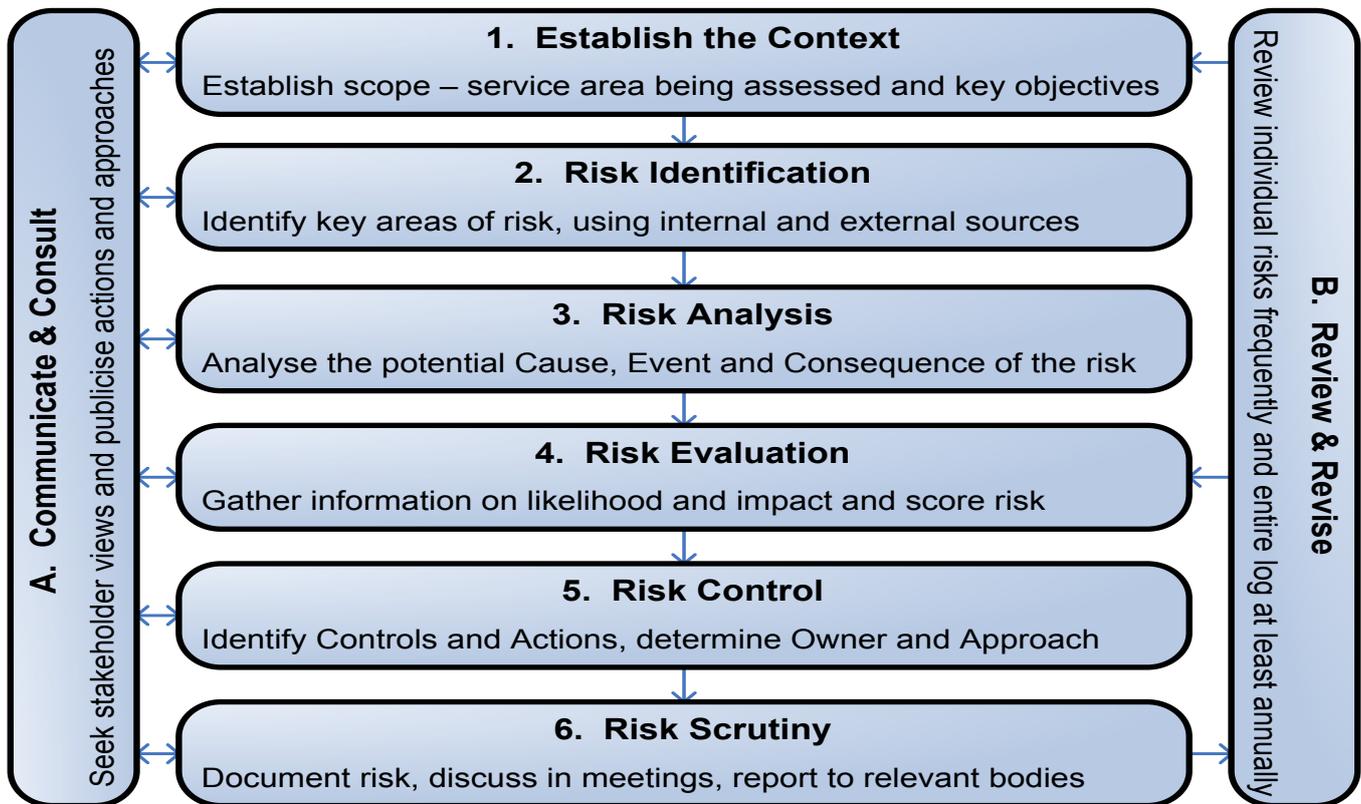
| Budget Scrutiny | | Chief Finance Officer | | EXA 178 004 | | | |
|---|---|-----------------------|--|------------------|--|----------|-------------|
| Observation | While the council received the unaudited accounts for 2017/18 in June 2018, management did not prepare a final outturn report for councillors setting out details of the financial performance of the council in 2017/18. In contrast to previous years, this means that councillors did not have the opportunity to scrutinise the financial performance of individual services in 2017/18 and investigate the reasons for significant revenue and capital over and underspends. The council's performance in achieving agreed savings was also not reported. This is a significant omission which management has informed us was due to changes in personnel in the finance team. | | | | | | |
| Risk | The council's finances are not adequately scrutinised and services are not held to account for their spending | | | | | | |
| Recommendation | The council should review its year end budget monitoring arrangements to ensure councillors have the information and opportunity to scrutinise the council's finances | | | | | | |
| Progress | <div style="width: 100%;"><div style="width: 100%;"></div></div> 100% | Status | | Expected Outcome | | Due Date | 30-Jun-2019 |
| The timetabling of Committee meetings meant that the first opportunity to report the year end draft outturn would have been June, at which, the draft final accounts were also being presented. For 2018/19 a draft outturn will be presented to the June 2019 Audit Committee. | | | | | | | |

| Financial Management Capacity | | Chief Executive | | EXA 178 005 | | | |
|--|---|-----------------|--|------------------|--|----------|-------------|
| Observation | Since May 2018 the section 95 officer has been the Interim Chief Accountant. The Interim Chief Accountant has direct access to the Chief Executive and is a member of the extended senior leadership group. In this report we have highlighted that the council could improve the quality of its unaudited financial statements and working papers, and its year-end budget monitoring arrangements. We accept that these issues may reflect the impact of recent management changes on the leadership and capacity of the finance team and may only be temporary. We are also aware that vacancies and staff absence in other services have also made it more difficult for finance staff to get information needed to prepare the financial statements. Nonetheless, in view of the council's acute financial position we believe that it is important to highlight this potential risk in this report to the council | | | | | | |
| Risk | The finance team does not have sufficient leadership and capacity to support effective financial management | | | | | | |
| Recommendation | The council should ensure that the actions it is taking secure the leadership and capacity in the finance team to support effective financial management | | | | | | |
| Progress | <div style="width: 100%;"><div style="width: 100%;"></div></div> 100% | Status | | Expected Outcome | | Due Date | 31-Mar-2019 |
| A permanent appointment to the role of Chief Finance Officer (Section 95 Officer), Senior Service Manager (Partnership & Performance). This post, incorporates both the statutory S95 role and strategic leadership of the Finance service, and is a member of the Extended Strategic Leadership Group, along with the Chief Executive, Strategic Directors and other statutory posts. | | | | | | | |

| Savings Plans | | Chief Finance Officer | | EXA 178 006 | | | |
|---|---|-----------------------|--|------------------|--|----------|-------------|
| Observation | The council knows it needs to continue to find and achieve savings, particularly given its low level of available reserves. It agreed a new strategic model for providing services in March 2017. The new model focuses on greater integration of services, with new ways of working across departments. The council aims to generate savings by reducing the level of resources required to deliver services. Senior councillors and chief officers are working together to identify savings priorities which will form the basis for savings plans for 2019/20 and beyond. The council will need to make difficult decisions to achieve financial balance in the medium term. | | | | | | |
| Risk | The Council is unable to deliver priority services | | | | | | |
| Recommendation | The council should build on work underway to develop savings plans to address the substantial funding gaps it has identified in each of the next three years | | | | | | |
| Progress | <div style="width: 50%;"><div style="width: 50%;"></div></div> 50% | Status | | Expected Outcome | | Due Date | 31-Mar-2019 |
| A balanced budget has been set for 2019/20 with c£1m of savings approved for future years. The experience of recent years will now ensure that timescales are more realistic and a Change Management Board has been created that will identify and develop business cases for savings proposals that will be consulted on and approved during the year. | | | | | | | |

| Organisational Change & Transformation | | Chief Executive | | EXA 178 007 | | | |
|---|--|-----------------|---|------------------|---|----------|-------------|
| Observation | The council has started work to address the recommendations of the BVAR. It is implementing new management and committee structures and is taking steps to introduce a programme management function. The next stage to review services to determine the level at which they are most effectively and efficiently delivered is underway. The council now needs to build on this work and take the next steps required to translate structural change into savings and new ways of working that will improve its financial position. The 2019/20 budget will be a crucial test of the council's ambition for transformational change. | | | | | | |
| Risk | The council does not make the transformational change necessary to secure its financial position | | | | | | |
| Recommendation | The council should build on work already underway and take the next steps to secure the changes needed to address its acute financial position | | | | | | |
| Progress | <input type="text" value="33%"/> | Status |  | Expected Outcome |  | Due Date | 31-Mar-2019 |
| <p>New committee structures have been in place since August and the Scheme of Delegation and Standing Orders will be revised following approval of the new structure. The Chief Executive and 3 Strategic Directors are in post, statutory roles have been appointed to and senior manager posts are being finalised. This includes the recently appointed Programme Manager (as part of proposals agreed by Council in August) who will be closely involved in the 2020/21 budget process. In advance of this appointment, a new Corporate Plan has been approved, and the Strategic Leadership Group and Service Managers' Forum are considering options for service redesign and alternative delivery methods in line with the corporate priorities.</p> | | | | | | | |

This guidance provides information on key considerations for each step in the Risk Management process (below).



A. Communicate & Consult

Two-way communication is important to every step in the risk management process to ensure the right information is gathered and people are aware of action to be taken, and why. **Staff members (at all levels), other teams/services/organisations, members of the public/ community groups, elected/board members, senior management and central support teams** can all contribute and/or benefit from others' knowledge. Different groups will have different perspectives and experience of practical, operational and strategic issues.

Different stakeholders can improve efficiency and effectiveness by **providing data, information and knowledge** to clarify areas of uncertainty. Others can provide insight into issues they've **identified** or **dealt with** or **solutions** they've found, and resource requirements can be minimised by **sharing information, experiences and controls**. If procedures are put in place to control risks, it's also highly important to communicate **what they are**, the **reasons** for them being put in place and, therefore, why it's important that they're **adhered to**.

B. Review & Revise

Risk management shouldn't be seen as a one-off, or even annual, task. The nature of risks, progress and the effectiveness of controls can change in a short period of time. It's therefore recommended that **key risks are discussed on a frequent basis** to ensure that developments are recorded, and the relevant people aware. If risks are reviewed **proactively**, more frequently than they're reported, updates are available when required, rather than being rushed as part of the reporting process. As well as focussing on the risks already identified, it's also important to review the entire log, at least annually, and **re-assess whether these are still the key risks**.

1. Establish the Context

There can be a temptation to just list everything that could go wrong, but this can be unproductive. The vital first step is to **clarify the scope** of the exercise - always **focus on objectives**. An organisational model can be a useful tool (templates available from Strategy & Performance). Having a **concise summary** of the team or service will focus discussions and, as no completely systematic process can be used, should assist in ensuring all relevant aspects are considered. Risk management can only ever be a **'point in time' assessment** and, though it must involve projection, looking too far into the future can introduce too many uncertainties and be detrimental. It should, therefore, be kept as **simple as possible** by looking solely at **goals within a set time period** (such as a single year).

2. Risk Identification

Steps 2, 3 & 4 form the risk assessment itself, and identification can often be the most difficult step, partly because there can be **no set process** for this. Often risk logs (or profiles/registers) are developed purely by reviewing previous logs and, though this can also be useful, it is unlikely to identify **new and emerging risks**. Logs from other **internal and external sources** can also be a useful stimulus but a risk should only be identified as relevant if it is likely to have a specific impact on the stated goals.

Many different **methodical** or **ad hoc** processes can be used to identify risks - **brainstorming, facilitation** by an external party, or **self-assessment** can all be useful. A **PESTELO** analysis can assist in working through the Political, Economic, Social, Technological, Environmental, Legal and Organisational implications of an objective. External sources such as other Councils, partner organisations and audit bodies can also assist in risk identification.

3. Risk Analysis

It's common for risks to be identified and documented without the **details and dependencies** being considered fully. Many 'risks' found in the Identification stage will actually be Causes, such as 'demographic changes' or 'lack of resource' but we must focus on how that will affect us achieving goals.

The key areas to be developed at this stage are:

- Cause** **The source or trigger of a risk.** Risks generally originate from wider issues in the internal or external environment, often outwith our control. Examples are: climate change, aging population, legislative changes or organisational change. The cause is **not the key focus of the risk**.
- Event** **How the cause specifically affects us.** This may be a single point in time, such as staff not delivering services (cause: industrial action), or it may develop more gradually, such as inability to meet increasing demands (cause: reduced budgets). Several events may arise from the same cause (e.g. the financial crisis may also cause budget overspend or reduced staff numbers).
- Consequence** **The result of the event occurring.** This should be more specific than 'inability to deliver on objectives' but needs to consider which objectives - will they not be delivered at all, or just less effectively, etc.? As much detail as possible should be given on the stakeholders and services affected, and the potential extent of reputational, legal or financial implications.

4. Risk Evaluation

At this point, as many elements should be **clarified**, or even **quantified**, as possible to better understand the **nature and extent** of the risk. While, again, there are no entirely scientific methods for evaluation and scoring, it should be **evidence-based**, where possible, and take into account as much management, organisational and environmental information as possible.

Evaluation should include looking at:

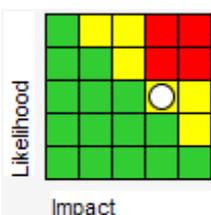
- | | |
|-------------------------------|--|
| The past | Has it happened before? Was it managed effectively? |
| The present | Are similar circumstances developing? How are others managing it? |
| The future | Do projections suggest it will happen again in the near future? |
| Organisational changes | Will changes to leadership, policies or resources affect the risk? |
| External changes | Are there national initiatives? Are there legal factors to consider? |
| Relevant actions | Will current projects and initiatives increase or decrease the risk? |
| Performance indicators | Is the risk occurring? Are we managing it effectively? |

Scoring (or rating) quantifies the **likelihood** of a risk occurring and the **impact** if it does occur and can be used as a very high-level summary of the **severity** of a risk. Scores should also be rationalised and **compared with each other** as there is a subjective element to scoring and they should be checked to ensure scores reflect the relative severity of different risks. See step 6 for definitions of the 3 different types of risk score.

- | | | |
|-------------------|-------------------|--|
| Likelihood | 1. Unlikely | Little evidence that the risk is likely to occur |
| | 2. Possible | Fairly low chance of the risk occurring |
| | 3. Quite Possible | Reasonable chance of the risk occurring |
| | 4. Likely | Strong chance of the risk occurring |
| | 5. Very Likely | Fairly certain that the risk will occur, or has already occurred |

Impact If there are several different potential impacts, use the score for the most severe.

| Score | Finance | Reputation | Harm | Disturbance | Audit/Legal |
|------------------|---------------|--|--|---|--|
| 1 Slight | Up to £10k | Managed incident, no customer impact but in the public domain | Single minor injury or illness | Minor disruption to one service | Query from audit body or mention in Shared Risk Assessment |
| 2 Minor | £10k to £500k | Local media interest and/or customer complaint | Multiple minor or single serious injury or illness | Minor disruption to multiple services | Negative audit/inspection report |
| 3 Moderate | £500k to £1m | Regional (central Scotland) media interest and/or multiple customer complaints | Multiple serious injuries or illnesses | Serious disruption to multiple services and/or some loss of service | Follow-up action or repeated negative audit/inspection reports |
| 4 Significant | £1m to £5m | National media interest and/or serious loss of confidence | Death | Major disruption and/or loss of multiple services | Legal action |
| 5 Extensive | Over £5m | Major national media interest | Multiple deaths | Extended loss of service | Legal action from multiple sources |



The overall risk score is the likelihood score multiplied by the impact score. In this example, impact = 4 and likelihood = 3, so $4 \times 3 = 12$, therefore the rating is 12 and the status is amber. The highest possible rating is $5 \times 5 = 25$.

As risk logs need to focus on the **most significant risks**, it's common for there to be more amber and red risks than green. If a risk is green, consideration should be given to whether it's **significant enough to be included** (unless we need to **demonstrate** that it's been assessed).

5. Risk Control

Once the risk has been evaluated, existing **Internal Controls** must be identified. These controls may be strategies, processes, arrangements, procedures, etc. that mitigate the risk to some extent by reducing either the likelihood of it occurring or the impact if it does occur. In most areas of risk we'll only be able to influence one of these factors but in some cases controls can influence both likelihood and impact. For example:

- Failure to prevent harm to individuals - the impact of this could be significant in many different respects so our efforts must focus on **preventative** controls,
- Severe weather events - here, the Cause is outwith our control so the actual risk is failure to prepare and we can only look at planning to limit the **consequences** when it occurs,
- Flu pandemic or Strike action - in these situations we can look **both** at preventative actions to reduce the likelihood but also use Business Continuity Plans to reduce the impact.

As well as existing controls, there may also be **planned actions** already scheduled or in progress that will reduce the risk. Once controls and actions are identified, the risk should be assigned an **owner** who can make decisions around **appetite (or tolerance)**, weigh up **opportunities** against risks and identify the **approach** to be used. It's important to be risk **aware**, rather than risk **averse**, as we would miss opportunities if we don't take risks. Though the identified owner is not final (as risks can be escalated and demoted), it's important that they have an appropriate **remit, resources and authority** to manage the risk and ensure that treatment actions are completed, where appropriate.

There are 4 different **Approaches** that can be used to manage risks:

- Treat** - take action to reduce the likelihood or impact of a risk occurring,
- Transfer** - pass the risk to another party, such as through insurance,
- Terminate** - stop the activity that is causing the risk,
- Tolerate** - continue monitoring once reasonable actions within our control are complete.

Examples where risk appetite and prioritisation must be used:

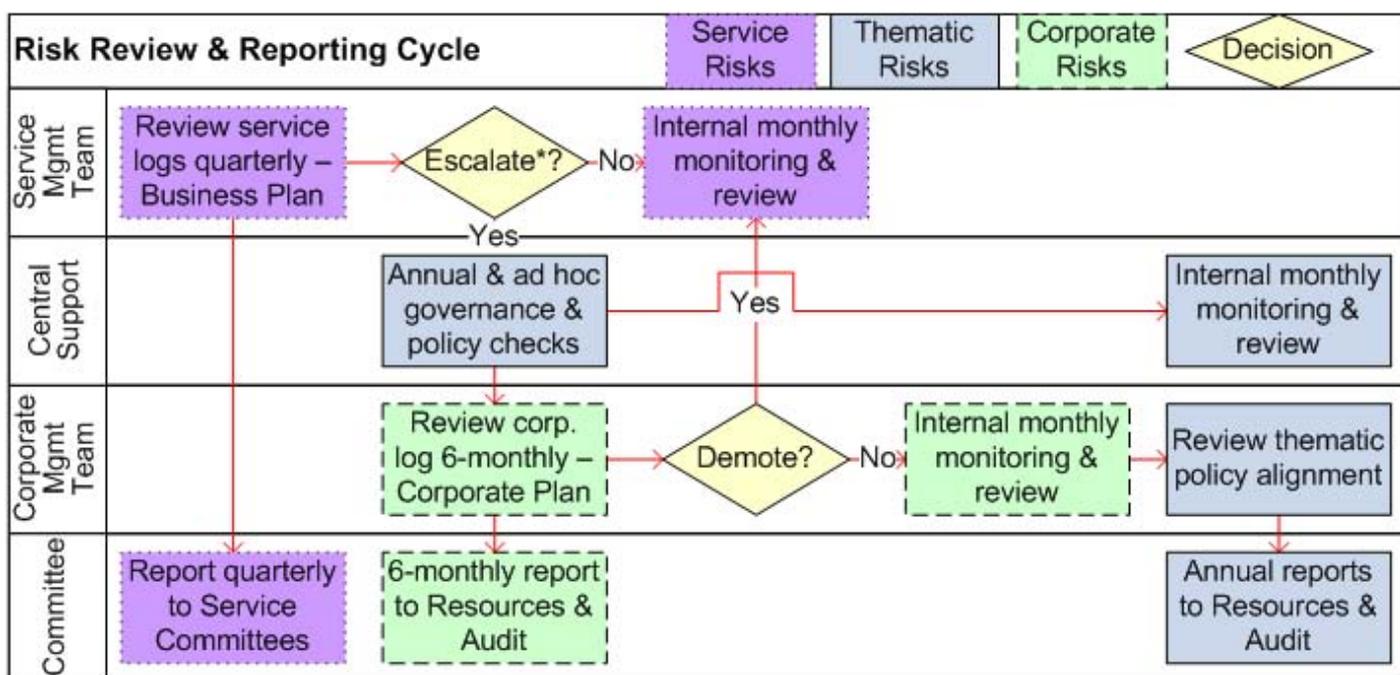
- Financial management** Short term efficiencies or 'spend to save' investment?
- Legislative changes** Resource for training/process changes or statutory breach?
- Statutory vs preventative** Statutory timescales or more frequent for early identification?
- Procurement** Best functionality, maintenance, customisation, price, etc.?
- Balancing rights** Protecting individuals or communities, or both?
- Satisfaction vs efficiency** Channel shift to cheapest option or offer range of options?

6. Risk Scrutiny

Details to record on the Pentana Performance Management System, and the reporting cycle are shown below. Risk logs should be reviewed frequently and the hierarchy should be used to escalate and demote risks. This may depend on the owner's ability to manage the risk, or if the nature (or understanding) of the risk changes. As well as specific risks and logs, our risk management processes are assessed via internal and external governance processes.

Risk Recording on Pentana

| | |
|--|---|
| ID (Code) | The unique reference for the risk, assigned by Pentana service superusers |
| Title | Short (3 to 5 word) name for the risk, focusing on the Event (see section 3 above) |
| Description | An expanded version of the title, stating Cause and Event and giving more information on how the risk could come about and likelihood of occurrence (see section 3 above) |
| Potential Effect | Possible Consequences or impact - stakeholders or service areas that could be affected, to what extent, secondary implications – legal, reputation, etc. (see the Impacts table in section 4 above – this information's shown on the system when assessing a risk) |
| Approach | Treat, transfer, terminate or tolerate (see 5 above) |
| Related Links | Outcomes/Objectives (through Scorecards), Actions, Internal Controls and Indicators. If Treat - must have actions, if Tolerate, must have Controls. |
| Latest Note | Brief summary of progress where the approach is Treat (otherwise optional) |
| Score (Rating) (determines Status) | Quantification of the risk's severity (see section 4). Original Score with no controls ('gross' score), to show progress to date Current Present position, including controls and completed actions Target Risk appetite - the score required for us to Tolerate the risk |
| Reviewer (Owner) | Person responsible for managing the risk, identifying the approach, providing updates and escalating/demoting between risk logs as appropriate |



*Does the risk have a corporate impact? Does it affect multiple services? Does it require consistent management across the Council? Is it significant (red) for any individual service? Does the owner lack the authority or resources to manage the risk? If yes, consider escalating to a higher-level log (from team to service, or service to corporate).