
NORTH AYRSHIRE COUNCIL

29 May 2018

Audit and Scrutiny Committee

Title: **Strategic Risk Register 2018/19**

Purpose: To inform Audit and Scrutiny Committee of the Strategic Risk Register 2018/19 which was approved by Cabinet in March 2018.

Recommendation: That Audit and Scrutiny Committee notes the Strategic Risk Register.

1. Executive Summary

- 1.1 The Strategic Risk Register has been reviewed and updated for 2018/19 and was approved by Cabinet in March 2018.
- 1.2 The scope of the existing 'Information' risk has been widened to better reflect the increasing risk from external cyber-attack which is being faced by all organisations.
- 1.3 The existing 'Health and Safety' risk has been removed from the Strategic Risk Register due to a strengthening of controls and the 'Brexit' risk has also been removed as the challenges associated with Brexit are covered within other risks.

2. Background

- 2.1 North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.
- 2.2 The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks to the Council. If risk is to be managed appropriately, and Services are aware of these risks, risk management can contribute positively towards the organisation's decision making processes, making the Council more innovative and effective in its approach to service delivery.
- 2.3 The most significant risks are identified through the Council's Strategic Risk Register (SRR), recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks. The register forms part of a larger governance process with additional risks and issues identified through Directorate Plans, Audit Reports and Project Plans.

2.4 The Strategic Risk Register has been reviewed and updated for 2018/19 and is attached at Appendix 1 to this report. For each of the risks detailed within the register a number of components are identified:

- Outline of the risk to the Council;
- The risk score;
- Potential effect on the Council's priorities; and
- Internal controls currently in place.

2.5 To assist in the assessment of each risk, the Council's agreed risk matrix was used to ensure consistency. Only those risks rated as high or very high (10 or above) will feature on the SRR to ensure a focus on managing the most significant risks.

2.6 No changes have been made to the scoring of the risks remaining on the SRR but two risks have been removed. The risks are summarised below:

Very High Risks (scored 20)

- **Financial Environment** - this risk reflects the ongoing financial challenge faced by the Council.
- **Inequalities** - this highlights the economic and health inequalities faced in North Ayrshire.
- **Health and Social Care Partnership** - this risk reflects the ongoing financial challenges faced by the Partnership.

High Risks (scored 12)

- **People and Transformation** - this reflects the wider risks associated with delivering the Transformation programme as well as any potential impact on the workforce arising from the programme.
- **Community Capacity Building and Empowerment** - this highlights the challenges associated with community empowerment.
- **Climate Change** - this reflects the growing challenge presented to infrastructure and service delivery by the impacts of climate change.
- **Information and Cyber Security** - this risk reflects the challenges associated with the loss of personal or sensitive data and the failure to appropriately manage and use the Council's information assets. It has also been widened to reflect the increasing risk from external cyber-attack which is being faced by all organisations. The Scottish Government is putting in place a cyber-resilience action plan which the Council is required to comply with.

Risks removed from the Strategic Risk Register

- **Health and Safety** – controls have been strengthened and Council Services should consider this as an operational risk where appropriate.
- **Brexit** – the challenges associated with Brexit are covered elsewhere, particularly within the Financial Environment and Inequalities risks.

2.7 Council Services have identified actions within their Directorate Plans to help the Council mitigate against its strategic risks.

2.8 The Council's Internal Audit Plan 2018-19, approved by the Audit and Scrutiny Committee on 27th March 2018, is risk-based and clear links are in place between the audit plan and the key risks the Council faces.

3. Proposals

3.1 Audit and Scrutiny Committee is requested to note the Strategic Risk Register for 2018/19.

4. Implications

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	A successful risk management framework helps to underpin the delivery of the Council's strategic priorities in the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

5.1 The Strategic Risk Register was updated in consultation with the Executive Leadership Team and the Corporate Risk Management Group.



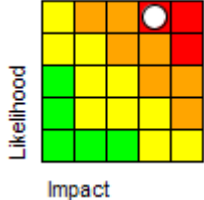
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For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers

None.

APPENDIX 1 - Strategic Risk Report 2018/19

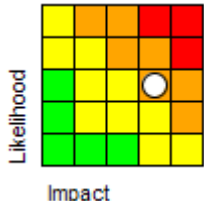
Risk Code & Title	2018/19 SRR01 Financial Environment	Current Risk Matrix
Risk	<p>The risk is that continued austerity will require the Council to take increasingly difficult and challenging decisions, potentially operating with increased levels of risk and having insufficient resources to invest in core assets.</p> <p>Government funding has been reducing since 2010/11. This, together with the demographic pressures, in particular an ageing population and increasing numbers of vulnerable children, impacts on the ability of the Council to meet need within available resources.</p> <p>The 2018/19 local government settlement represents a further reduction in real terms funding. Planning for future years reflects further anticipated reductions in funding in 2019/20 and 2020/21. The single year duration, publication and approval date of the Scottish Budget makes effective short and medium term financial planning challenging.</p> <p>Further pressures on budgets stem from Manifesto commitments at a national and local level at a time of reducing resources. A major external influence is the UK's progress in negotiating exit from the European Union. Uncertainty remains over future economic prospects.</p>	
Consequence	<p>Funding not keeping pace with demand and cost means that there will be a reduction in some service areas potentially resulting in higher risks for service users.</p>	Current Risk Score
Current Controls	<p>The Council continues to be proactive in responding to the financial challenge and seeks to ensure that budget decisions are taken in line with key priorities.</p> <p>Robust monitoring of the Council's revenue and capital budgets is in place as well as regular reporting of financial performance within the HSCP to Cabinet.</p> <p>The Council has a long-term capital investment programme to 2027/28. The Long Term Financial Outlook to 2026/27 was approved at Council on 4 October 2017.</p> <p>The Council will agree a balanced budget for 2018/19 with work underway to identify the remaining savings for 2019/20 and 2020/21. This forward looking process supports as far as possible greater financial security and stability and provides an opportunity for medium term service redesign plans to be implemented.</p>	<p>20</p>
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title	2018/19 SRR02 Inequalities	Current Risk Matrix
Risk	<p>The risk to the Council is that North Ayrshire residents, especially children, will experience increasing levels of poverty and its effects. Inequality in the local area may continue to increase unless the Council takes action, however this must be managed effectively due to the increase in demand for Council Services which may occur.</p> <p>Levels of child poverty are now the second highest in Scotland.</p> <p>Ongoing welfare reforms will exacerbate local needs placing greater demands upon Council Services at a time when budgets are under significant pressure. A focus on economic regeneration and effective targeting of resources is essential to maximise opportunity and minimise the impact of the current economic climate on our communities.</p> <p>North Ayrshire residents have persistently poorer health compared to Scotland as a whole and the gap is increasing. There are also significant differences in the health of people living in the wealthier parts of North Ayrshire compared to its more deprived areas. Life expectancy in the most deprived areas is 15 years less than the more affluent communities. Health inequality is closely linked to poverty, employment and people's earliest experiences as children. Drug and alcohol misuse is also a major factor.</p> <p>Children and young people may be excluded from a nurturing and positive early years and school experience as a result of their life circumstances and / or their additional support needs. They may be unsupported to access appropriate educational provision.</p>	 <p>Likelihood</p> <p>Impact</p>
Consequence	<p>Failure to address the current challenges will result in increased levels of deprivation, reduced health and wellbeing of our communities and higher demand for Council Services. Inequalities at an early age will impact adversely on children's social and emotional development, affecting their overall life chances. Children living in poverty and with poor health are more likely to require crisis interventions and have lower levels of educational attainment and achievement. Adults affected by drug and alcohol misuse and by chronic health problems are less likely to sustain employment and it is more likely that they will require support to ensure their own and their children's safety and wellbeing. Older people affected by long term health conditions are more likely to require service provision earlier, have a greater incidence of hospital admission and require long term care at a younger age.</p>	Current Risk Score
Current Controls	<p>The Council launched a new Economic Strategy in April 2017 this includes a focus on inclusive growth. The Council will lead partners in building community resilience, providing support to remove barriers to opportunity for unemployed people (e.g. childcare, transport and health), upskilling of people in disadvantaged communities including providing 250 MA opportunities within the Council and providing employability services through our network of hubs.</p> <p>Tackling inequalities is a strategic priority of the Community Planning Partnership (CPP) and the Council. A new Fair For All strategy is in place and this will inform the work of the partners to reduce inequality. With a clear focus on reducing the effect and causes of child poverty the CPP is being guided by a peer group of national experts in tackling inequalities.</p> <p>North Ayrshire Council has also agreed to become a Child Centred Council with a focus on reducing inequalities for children and</p>	20

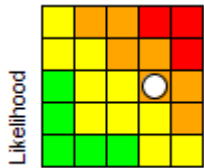
	<p>young people. This work is being supported by APSE and de Montfort University.</p> <p>The ongoing focus on reducing inequalities is enhanced by the “Challenge Poverty” approach within the Council and with partners, to identify Council and Locality options for addressing the causes and symptoms of poverty.</p> <p>The Council and its partners are developing a food strategy, which includes addressing household food insecurity and the actions within the strategy are supporting local people to create local solutions.</p> <p>The HSCP continues to deliver activity to tackle inequalities in areas of economy, health and community. The Money Matters service continues to provide much need welfare and money advice to individuals and families in, and at risk of, poverty. At the end of quarter 3 17/18, Money Matters had generated over £6.5m in additional income for local people. In 2016/17, the service generated a total of over £8.2m. While, Money Matters predominately supports local people known to the HSCP, referral pathways have been developed with Better off North Ayrshire (BONA) to ensure all people in North Ayrshire are able to access the right level of advice and support.</p> <p>The HSCP's Community Link workers are now operating from 18 general practices in North Ayrshire, providing local people advice and guidance. Conditions that people present at GP practices are often symptomatic of wider issues. Community Link Workers can offer alternative and more holistic options and opportunities to what GPs may provide. Going forward, Community Link Workers will have a greater focus in GP cluster areas that have higher levels of deprivation and illness. The HSCP continues to support vulnerable young people access a range of opportunities to enhance their skills and experience. Many young people are currently participating in the Duke of Edinburgh award, Activity Agreements, John Muir Awards and many other activities which all contribute to building confidence and skills which improves the likelihood of entering into meaningful employment, training or education.</p> <p>The Council's Attainment Challenge sets out to reduce the impact of deprivation on the educational outcomes of our children and young people. A multifaceted approach has been developed to address inequality in terms of health and well-being and progress in learning. This includes:</p> <ul style="list-style-type: none"> . a professional learning academy for teachers to focus on improving progress in learning for our most deprived young people . the development of approaches for nurture and mental health designed to improve aspects of child development, engagement and promote positive relationships . working on family learning to improve the support and engagement of continued learning in the home environment . a focus on data analysis to target improvements and measure impacts. 	
Linked Actions		
Linked Actions Code & Title		

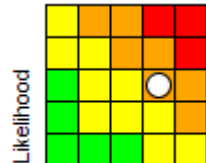
Risk Code & Title		2018/19 SRR03 Financial Sustainability of the Health and Social Care Partnership	Current Risk Matrix
Risk	<p>The risk is increased financial exposure for the Council as a result of the loss of direct financial control of the resources delegated to the Integrated Joint Board at a time of reducing resources and growing demand.</p> <p>The Integration Joint Board has the responsibility for the distribution of resources to partner bodies to deliver its strategic plan. To date the level of resources delegated to the Council does not align with current demand and eligibility criteria.</p>		<div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div> <div>Likelihood</div> <div>Impact</div>
Consequence	<p>Growing demand across Health and Social Care at a time of decreasing resources creates a financial pressure for the Partnership. To address this, the Partnership needs to increase the pace and scale of transformation to deliver services in a more sustainable way and secure a shift in the balance of care from acute to the community.</p> <p>There is a risk that if the Partnership continues to overspend that the Council may be required to provide additional funding support which could significantly impact on other services provided by the Council.</p>		Current Risk Score
Current Controls	<p>The IJB meets monthly and monitors progress against the Strategic Plan and the Partnership financial position. Finance reports include projected outturns and are reviewed by Partnership Management Team and the IJB. These monitoring reports are also shared with the Directors of Finance of the Council and Health Board to ensure full transparency. These identify emerging financial issues, however to date the HSCP has been unable to identify sufficient mitigation to manage pressures within the available budget</p> <p>A Medium Term Financial Plan has been developed and is being refreshed. This plan outlines pressures for services linked to demographic and cost increases, assumptions about future funding and the transformation programme in place to assist with service redesign. The plan identifies opportunities to address these challenges including a shift in the balance of care from Acute to Community.</p> <p>A dedicated Chief Finance and Transformation Officer has been established within the HSCP to support delivery of transformation at scale and pace and develop a financial framework to ensure service delivery within available resources.</p> <p>Council Challenge Fund resources are available to the Partnership to support its transformation journey to shift the balance of care and mitigate demand.</p>		20
Linked Actions			
Linked Actions Code & Title			

Risk Code & Title		2018/19 SRR04 People & Transformation	Current Risk Matrix
Risk	<p>There is an overarching corporate risk that transformation and change management activities which are core to the Council's future delivery models and long-term financial sustainability, fail to deliver and potentially disengage employees.</p> <p>The workforce context of significant organisational change, pay restraint and budget efficiencies may impact on employee engagement and the stability of employee relations which further impacts on the Council's capacity to meet service requirements and deliver key objectives.</p>		<div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div> <div>Likelihood</div> <div>Impact</div>
Consequence	<p>Any gaps in workforce planning and organisational development arrangements may lead to difficulties in having a workforce with the appropriate knowledge, engagement levels and skills to meet service demand and achieve desired outcomes. It will further impact on the Council's ability to continue to deliver change, meet Strategic Priorities and achieve the required efficiencies. Failure to deliver transformational change will impact on the Council's financial sustainability and its effectiveness of service delivery.</p>		Current Risk Score
Current Controls	<p>Organisational Development interventions that support cultural transformation continue to be evolved and embedded that support the Council's transformation, improves effectiveness and capability as well as develops an organisational culture which fosters involvement, engagement and high performance.</p> <p>Employee Engagement Surveys monitor employee engagement levels and identify any issues or areas for improvement required. Surveys are conducted every two years, with the 2017 survey results currently being analysed. This and future surveys will continue to monitor engagement levels and areas for improvement.</p> <p>LiveWell, and the four themes within this – Be Well, Play Well, Eat Well and Work Well – continue to be promoted and a range of programmes, events and activities are available for all staff. Participation in wellbeing activities can have positive impacts on personal resilience, stress reduction and absenteeism.</p> <p>Mechanisms for consultation and engagement with Trades Unions enable open dialogue with unions and elected members on key strategic workforce issues.</p> <p>Key strategic organisational change issues are developed through regular leadership conferences.</p> <p>Our Workforce Planning approach provides a toolkit of interventions such as vacancy management, redeployment and early release schemes that support the re-shaping of our workforce for the future. .</p> <p>A review of the Transformation Programme to align with the new Council Plan is currently underway. The aim of the review will be to focus resources on a smaller number of key transformational initiatives which will deliver the biggest impact. Employees involved in transformational change have been centralised into a single Transformation Team which will make it easier to align resource to the right projects, track progress and ensure benefits are delivered.</p>		12
Linked Actions			
Linked Actions Code & Title			

Risk Code & Title	2018/19 SRR05 Community Capacity Building and Empowerment	Current Risk Matrix
Risk	<p>The risk facing the authority is that community capacity and community resilience in North Ayrshire will not develop sufficiently quickly to meet the economic and social challenges which are emerging in the current economic climate.</p> <p>The additional demands placed on the public sector by the Community Empowerment Act (Scotland) 2015 is an emerging risk, with timescales for implementation of and reaction to certain strands of legislation, e.g. community asset transfer and participation requests, now being set by the Scottish Government.</p> <p>The development of community capacity and appropriate support mechanisms to allow local communities to determine their own objectives and have their voices heard in the planning and delivery of services is a key priority of North Ayrshire Council. The ability of communities and organisations to do this varies and the Council is committed to providing the appropriate support, according to local need, to ensure that communities are able to achieve their potential in this challenging economic climate. Involvement in this ranges from volunteering in local and civic events through to delivering services for communities.</p> <p>Increasing requirements to make savings in staff supporting community activity further heightens the risk attached to this issue.</p>	
Consequence	<p>Where the risk is not managed effectively the potential benefits of community capacity building and empowerment may be lost.</p> <p>There remains a potential disconnect between those communities where levels of capacity and engagement with the empowerment agenda are high and those with less social capital where interest remains low. This could widen the inequality gap between communities with the ability to influence the planning and delivery of more responsive services and those communities who do not.</p> <p>The potential also exists for a disconnect between what the Council wishes to see in terms of communities embracing the opportunities for increasing ownership of assets and what communities themselves feel able and prepared to commit to. In terms of the asset transfer agenda the potential remains for community assets to revert back to Council ownership due to ineffective community engagement/participation and a lack of effective business planning for sustainable use of community assets.</p> <p>The speeding up of this approach has been caused by the increasing savings required from the Council. The risk is that services and facilities will be lost for good as communities fail to keep up with the speed of change.</p>	Current Risk Score
Current Controls	<p>North Ayrshire Council has made a public commitment to community capacity building and empowerment, through the Community Planning Partnership and through the Economy and Communities Directorate Plan. North Ayrshire Council has also identified that the value of continuing to support the community and voluntary sector to develop capacity is central to the well-being of the community and wishes to continue to fund activities which contribute to this.</p> <p>A strategic corporate Community Empowerment Action Plan is being developed within the Council and with all CPP partners, to identify how the Council can shift from delivery to enabling mode with many of our community partners to build their capacity and identify opportunities for growth and sustainability.</p>	12

	<p>The introduction of Locality Planning will enhance local resilience and place-making initiatives to strengthen how communities work together to lessen the impact of external changes. Six locality partnerships have now been established to ensure the involvement of the community in local decision making and to monitor the support we are providing to communities.</p> <p>The Council has refined and enhanced its asset transfer, allotment and Community Council guidance and support, and in addition, the Council has also introduced support for individuals and communities in relation to developing excellence in arts and culture and sports, whilst reviewing the way in which it awards Community Development Grants to ensure that capacity building is a central feature of support to communities and voluntary organisations. Groups are also supported to make a greater number of successful funding bids to external bodies. Additional resources will be available through ongoing projects with Creative Scotland and Sport Scotland with good practice being shared and promoted. The Community Development Fund is underpinning the ability of community organisations to undertake sustainable projects.</p> <p>The Council has held a number of participatory budgeting events, which allow local people to have a say on how small amounts of Council money are spent in their localities.</p>	
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title	2018/19 SRR06 Climate Change	Current Risk Matrix
Risk	<p>Severe weather is already affecting public services across Scotland, with operational, reputational, financial and legal consequences. The risk is that the Council is increasingly affected as this trend continues into the future, with potentially more serious consequences that compound some of the other long-term challenges faced, such as resource scarcity and social and economic inequalities.</p> <p>Climate change is expected to continue and worsen in the future, with changes to mean temperatures, the increasing frequency and severity of storms and higher rainfall levels potentially causing rising water levels and resulting in more flooding and coastal erosion. There is also an ongoing impact of severe winter weather including snowfall and freezing temperatures which impact service delivery and the integrity of our roads open space and buildings infrastructure.</p> <p>The Council is required to comply with the 'Public Bodies Climate Change Duties', required under the Climate Change (Scotland) Act 2009. These duties require the Council to assess the risks, threats and opportunities associated with climate change and identify actions to increase resilience to climate change.</p>	
Consequence	<p>An increased frequency of severe weather conditions may lead to more instances of damage to Council infrastructure and property, interruptions to service delivery and increased demands on services, often with little notice.</p> <p>This could also cause risk to life, transport disruption and pollution to the local environment, as well as impact adversely on the local economy if businesses are unable to operate.</p>	Current Risk Score
Current Controls	<p>A strategic approach to climate change adaptation will help manage this risk. The Council has been proactive and has a number of strategies and plans in place to help reduce vulnerability. These include:</p> <ul style="list-style-type: none"> Environmental Sustainability and Climate Change Strategy Flood Risk Management Strategy Local Development Plan Core Paths Plan Outdoor Access Strategy Weather and Winter Emergencies Plan <p>Asset management plans are in place which are regularly reviewed for our Roads, Fleet, Housing, Property and Open Spaces which take cognisance of the impact of severe weather and climate change and allow the prioritisation of investment as appropriate.</p> <p>The Council has business continuity arrangements in place and, through the Ayrshire Civil Contingencies Team, there are also emergency planning arrangements in place.</p> <p>Mutual aid arrangements are in place with other Councils.</p>	12
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title		2018/19 SRR07 Information and Cyber Security	Current Risk Matrix
Risk	<p>The key risk to the authority relates to the reduction of public confidence associated with the loss of personal or sensitive data. Cyber risk is the potential compromise of business operations orchestrated via digital channels or the IT infrastructure and can include targeting of the user base. Risk derives from both Council operations and those of its supply chain.</p> <p>The Council recognises the need to both maximise the benefit of our information to deliver effective and efficient services, and the need to appropriately protect our information and comply with information legislation and information security requirements and standards. Furthermore the Council requires to meet its obligations in relation to the implementation of the EU General Data Protection Regulations (GDPR) by May 2018.</p>		 <p>Likelihood</p> <p>Impact</p>
Consequence	<p>Failure by Services to adopt and comply with strategies, policies and procedures may result in a failure to adequately maintain and protect information the Council is responsible for.</p> <p>There may be a significant impact on the authority through the release of personal and/or sensitive information resulting in a loss of public confidence and significant financial loss incurred through fines and Service disruption.</p> <p>A successful cyber-attack (virus, penetration or malicious external or internal action) on the Council's IT environments could also result in significant service disruption and possible data loss. Impacts of cyber-attack could include economic (i.e. inability to collect online payments) and societal disruption (i.e. loss of diaries and client appointments). Such attacks could be directed at the Council or elements of its supply chain.</p> <p>Failure by Services to appropriately manage and use the information they hold may result in lost opportunities to transform services to the community.</p>		Current Risk Score
Current Controls	<p>A new Data Team was established in 2017 incorporating Information Governance, Data Protection, Freedom of Information and Complaints. The team also have temporary resource for the GDPR project. Appropriate policies, processes and training are currently being revised in line with requirements for GDPR.</p> <p>Access to information systems is controlled and secure, laptops have data encryption installed along with anti-virus software. The Council adheres to government security standards and guidelines to access and share information securely with central and local government and other partners, all of which are subjected to internal and external audit and compliance processes. The Council also mitigates the risk of information loss from information residing on servers through Disaster Recovery contracts and annual business continuity testing as well as standard back-up and off-site storage facilities.</p> <p>It is recognised that no organisation can be 100% protected against agile and fast changing cyber threats. Continual development of protection measures both technical and non-technical are required to reduce risk. IT Services continue to review the Council's protection strategy and technology in place in line with industry and UK and Scottish Government recommendations.</p> <p>As part of the Council's Digital Transformation programme, there is a range of projects within the Data workstream designed to improve how the Council manages information.</p>		12
Linked Actions			
Linked Actions Code & Title			