

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 17th December 2024

BY: Chief Executive

SUBJECT: Communities, Corporate Support, Development and Finance Risk Registers

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities, Corporate Support, Development and Finance Risk Registers for discussion, comment and noting.
- 1.2 These Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes these Risk Registers and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the risks can be borne by the Council at this time in relation to the Council's appetite for risk.
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Registers has been compiled by the respective LRWGs. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 5) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).
- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable, and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
- Medium risk is tolerable with control measures that are cost effective;
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The four risk registers presented include the following number of risks.

- Communities Risk Register includes 1 Very High, 6 High, 17 Medium and 3 Low risks.
- Corporate Support Risk Register includes 1 Very High, 4 High, 14 Medium and 10 Low risks.
- Development Risk Register includes 3 High, 3 Medium and 5 Low risks.
- Finance Risk Register includes 8 High, 5 Medium and 6 Low risks.

As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the respective LRWGs that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Registers should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Council Management Team.

6.2 Personnel - There are no immediate implications.

6.3 Other - Effective implementation of these registers will require the support and commitment of the Risk Owners identified within the registers.

7 BACKGROUND PAPERS

7.1 Appendix 1 – Communities Risk Register

7.2 Appendix 2 – Corporate Support Risk Register

7.3 Appendix 3 – Development Risk Register

7.4 Appendix 4 – Finance Risk Register

7.5 Appendix 5 – Risk Matrix

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DATE	5 th December 2024

East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council.
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

Risk	Impact				
	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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East Lothian Council Finance Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date	Latest Update
R248	Financial Impact	Market Conditions and Supply Chain Disruption	<p>There is a risk that suppliers may not participate in tenders or request that response periods be extended due to lack of market/supplier/internal resource availability. This could result in returned tender proposals exceeding allocated budget.</p> <p>There is a risk that the Care at Home providers are not able to recruit to deliver complex care packages and may seek to hand back packages or stop operating in EL.</p> <p>There is a risk to the supply of roads materials due to 60% of Bitumen supply coming through Russia, resulting in delays and price uplifts between 20-40%.</p>	4	4	16	12	477 - Enhanced value engineering.	28/02/2025	06/11/2024
R254	Financial Impact	Finance Staffing Issues	<p>Loss of key finance staff, external recruitment pressures, on-going complexity and continuing financial challenges may result in the Finance service not being able to provide an appropriate level of financial support to the Council and wider services. The team may not have the appropriate skills, and due to the increasing obligations, may not be able to meet statutory financial accounting requirements such as completion of statutory annual accounts.</p> <p>There has also been an increasing number of staff turnover including ill health and retirements of experienced staff members.</p> <p>Turnover of staff also means that knowledge is leaving the team and it will take time for new staff to get up to speed and the current controls on recruitment may result in an increased number of vacancies within the team.</p> <p>The implementation of a new Finance System had added pressure and additional workload to the team.</p>	4	4	16	6	495 - Enhance the number of relevant qualified accountancy staff to meet statutory accounting requirements.	31/01/2025	08/10/2024
R249	Financial Impact	HRA income and Rent Arrears	<p>A fall in HRA income may impact on our ability to provide services and deliver on capital investment plans.</p> <p>Any increase in rent arrears would reduce income to the HRA.</p> <p>Times continue to be challenging and many households are facing financial hardship with cost-of-living pressures.</p>	3	4	12	9	<p>482 - A draft Rent Income Management Policy has been developed and is currently pending awaiting input from the Housing Service in relation to homelessness arrears.</p> <p>483 - The Rent Income Team has been working with Housing Quality Network (HQN) Consultant, in relation to staff training.</p>	12/11/2024	11/11/2024

R250	Financial Impact	Loss of General Services Income	<p>A reduction in income via reduced collection of Council revenue, including Council Tax, Business Rates and Sundry Accounts could impact adversely on the Council's ability to provide quality services.</p> <p>Many households and businesses now facing financial hardship and cost of living pressures.</p> <p>Individuals who fraudulently claim Council Tax Single Person Discount have a detrimental impact on the revenue coming into the Council, directly affecting funding for vital services for local people.</p> <p>Council tax banding reviews present a risk to the level of income which the council is able to collect. However, we are not aware of any planned reviews within the current year.</p>	3	4	12	9	484 - East Lothian Council's Corporate Fraud Officer is carrying out work, in conjunction with the Council Tax & Debt Management team, through the National Fraud Initiative (NFI) data matching system	02/05/2025	11/11/2024
R251	Financial Impact	Scottish Welfare Fund	<p>The level of administration funding received from the Scottish Government does not reflect the actual level of resource deployed by the Council to administer the SWF scheme (crisis grants and community care grants).</p> <p>The level of programme funding received from the Scottish Government does not reflect the increased demand for SWF payments.</p> <p>Demand has increased in recent years and continues to remain high as a result of the cost of living crisis.</p> <p>It may become unsustainable for the Council to continue to provide top up funding to meet the demand for crisis and community care grants.</p>	4	3	12	8	<p>486 - Participate in Scottish Government led Practitioner groups and work with SG and CoSLA colleagues to review the current funding model.</p> <p>487 - Consider moving to high and most compelling for crisis grants, possibly from December 2024, to reduce risk of current year overspend.</p>	02/05/2025	11/11/2024
R252	Financial Impact	Key Financial Controls	<p>Lack of key financial controls which may cause an instance of serious financial fraud or corruption resulting in financial loss and wider reputational loss to the authority.</p> <p>There is an increased risk of fraud as a result of changes in processes linked to new ways of working, limited staff resources in some services, and the impacts of the cost-of-living crisis.</p>	4	3	12	6	519 - New financial system is being developed	30/05/2025	07/11/2024
R253	Financial Impact	Key Financial Systems	<p>A failure of key financial systems e.g. Pecos, the revenues system and the financial management system due to technical problems and/or supplier failure or loss of key staff could lead to service failure and incomplete management information. Statutory functions may not be completed on the back of a system failure.</p>	4	3	12	6	<p>492 - Purchase 2 Pay review is ongoing, which will review our strategic approach to procuring and paying goods and services.</p> <p>493 - A new financial system has been procured and work to implement this is underway.</p> <p>494 - Project to implement cloud-based solution for the revenues system is ongoing.</p>	31/01/2025	06/11/2024

R255	Financial Impact	Internal Audit Effectiveness	<p>Internal Audit fails to effectively assess internal controls.</p> <p>Audit reviews fail to identify control weaknesses.</p> <p>Internal audit staff may not have the specialist skills required to undertake audit assignments.</p> <p>Failure by management to implement internal audit recommendations.</p> <p>All the above could lead to inaccurate assurances being given.</p>	3	4	12	6	518 - Complete a service review and review staffing capacity in the team following retirement of key member of staff	30/05/2025	07/11/2024
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