Agenda Item 5

Referral from Audit Committee – Risk Management Assurance Policy and Framework and Corporate Risk Management Update

Falkirk Council

Title:	**Referral from Audit Committee – Risk Management Assurance Policy and Framework and Corporate Risk Management Update**
Meeting:	**Executive**
Date:	**6 December 2022**
Submitted by:	**Director of Transformation, Communities & Corporate Services**

1.   Purpose of Report

1.1   This report refers the Risk Management Assurance Policy and Framework report and the Corporate Risk Management Update report from the Audit Committee of 7 November 2022 for consideration and approval.

1.2   This will contribute to the 2022-27 Council Plan enabler of Financial Sustainability.

2.   Recommendation

2.1   It is recommended that the Executive considers and approves the appended reports.

3.   Background

3.1   At its meeting of 7 November 2022 the Audit Committee agreed to refer the Risk Management Assurance Policy and Framework report and the Corporate Risk Management Update to the Executive for consideration and approval. The reports referred by the Audit Committee is provided as appendices to this report.

4.   Consultation

4.1   No consultation was carried out on this report.

5.   Implications

Financial

5.1   There are no financial implications arising from the report recommendations.

Resources

5.2 There are no resource implications arising from the report recommendations.

Legal

5.3 There are no legal implications arising from the report recommendations.

Risk

5.4 There are no risk implications arising from the report recommendations.

Equalities

5.5 There are no equalities implications arising from the report recommendations.

Sustainability/Environmental Impact

5.6 No sustainability assessment has been completed as part of compiling the report.

6. Conclusions

6.1 The Audit Committee agreed to refer the Risk Management Assurance Policy and Framework and the Corporate Risk Management Update to the Executive for consideration and approval.

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Director of Transformation, Communities & Corporate Services

Author –   Brian Pirie, Democratic Services Manager
             01324 506110, brian.pirie@falkirk.gov.uk

Date: 28 November 2022

Appendices:
Appendix 1 – Report to the Audit Committee 'Risk Management Assurance Policy and Framework' – 7 November 2022
Appendix 2– Report to the Audit Committee 'Corporate Risk Management Update' – 7 November 2022

List of Background Papers:
No papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973.

Falkirk Council

Title:	**Risk Management Assurance Policy and Framework**
Meeting:	**Audit Committee**
Date:	**07 November 2022**
Submitted By:	**Director of Transformation, Communities & Corporate Services**

1. Purpose of Report

1.1 The purpose of this report is to provide the Audit Committee with an updated Risk Management Assurance Policy and Framework (the 'Policy'), and to outline the next steps in rolling out updated risk management training and guidance.

2. Recommendations

2.1 **The Audit Committee are asked to:**

(1) Consider and provide comments on the Policy (at Appendix 1) – in particular, the items highlighted at section 5;

(2) Refer the Policy to the Executive for approval; and

(3) Note that the Chief Finance Officer will organise Risk Training for all Elected Members and Chief Officers in this financial year, and this will be supported by relevant guidance and training for other colleagues.

3. Impact on Climate Change Targets

3.1 Outputs within this report will not have a direct beneficial impact on the organisation and national climate change targets. However, improving risk management arrangements should help to ensure that the Council delivers on its stated ambitions, policies, and priorities.

4. Background

4.1 The current Risk Management Assurance Policy was agreed by the Executive in October 2021. At that time, the Executive also agreed a 2021/22 Risk Management Plan to further embed the Policy. This Plan was based on the outcomes of a Risk Survey and Workshop (facilitated by the Improvement Service) with CMT, Audit Committee, and Executive Members in 2020/21.

4.2 The Falkirk Health and Social Care Partnership (HSCP) and Integration Joint Board (IJB) have their own IJB Risk Strategy, IJB Strategic Risk Register, and Plan. These were considered by the IJB Audit Committee in September 2022.

5.   Considerations

5.1   Risk Management Policy

5.1.1   The revised Policy takes account of the changes to the Corporate Risk Management (CRM) arrangements and 2022/23 Risk Management Plan set out within the latest CRM Update. A summary of changes is given below, and changes are highlighted within Appendix 1.

5.1.2   The Policy is broadly a refresh of the current Policy. This is because CMT agreed in August 2022 that there has been good progress in embedding effective risk management across the Council. They highlighted that the importance of robust risk management is actively recognised and managed with good risk conversations taking place in Boards and working groups throughout the Council.

5.1.3   The roles of different Officers and Committees have been updated and are consistent with the Council's Standing Orders. CRM updates will continue to be provided to the Audit Committee and Executive quarterly, but corporate risks will only be referred to the Scrutiny Committee by exception (as required).

5.1.4   The Falkirk IJB's Risk Strategy will apply to all colleagues within the HSCP, to ensure that there is a consistent approach to managing risks across both Social Care and Health Services. The Falkirk IJB have broadly adopted the NHS Risk Strategy – although the format and content varies from the Council's CRM Policy, the principles are very similar; and both are based on best practice standards.

5.2   Risk Management Guidance and Templates

5.2.1   To support the implementation of this Policy, CRM Group (CRMG) will review current Guidance and Templates to ensure that the Policy can be applied consistently across Services and Committees. These will be communicated via the CRM Pages on the Internet and as part of Risk Training. This will include (as a minimum) the following:

- Risk Management Process – Key Terms;
- Risk Scoring Guidance;
- Corporate Risk Register – High Risk Details Report;
- Corporate Risk Register – Assurance Map Report;
- Service Risk and Assurance Statements – and Exception Report; and
- Committee Papers - Risk Considerations Section.

5.2.2   Attendees will be asked to complete current E-learning in advance of the training, and a short Risk Survey to gauge their current understanding and views on risks.

5.2.3   The Falkirk IJB are also rolling out risk training and guidance in 2022/23. The principles will be similar but tailored towards both Health and Social Care functions.

6.   Consultation

6.1   The content and recommendations in this report have been discussed with the CRMG and CMT.

7.   Implications

Financial, Resources, Legal

7.1   There are no direct financial, resources, or legal implications arising from this report.

Risk

7.2   The key risk is failure to effectively identify, assess, mitigate, and report on the risks to delivering outcomes; and implement an effective governance framework.

Equalities

7.3   Equalities impact assessments are not required for this report. This report does not present any equality issues. However, effective risk management should minimise the risk of equality issues arising for the Council.

Sustainability/ Climate Change

7.4   This report does not have any direct climate change impacts.

8.   Conclusions

8.1   The purpose of this report is to provide Audit Committee Members with an updated Risk Management Assurance Policy and Framework (Policy), and to outline the next steps in rolling out updated risk management training and guidance.

8.2   The Audit Committee are asked to consider the report and agree the recommendations outlined in section 2.1.

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Director of Transformation, Communities and Corporate Services

Authors:
Amanda Templeman, Chief Finance Officer
Hugh Coyle, Corporate Risk Co-ordinator

Date: 17 October 2022

APPENDICES

- Appendix 1: Risk Management Assurance Policy and Framework.

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:
- None.

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RISK MANAGEMENT ASSURANCE POLICY AND FRAMEWORK

This is the version considered by Audit Committee in October 2022. Next Review in 2025.

Key changes to the current policy are highlighted in yellow throughout the Policy.

Vision and Priorities

VISION:	Strong communities where inequalities are reduced and lives are improved.
PRIORITIES:	Supporting stronger and healthier communities
	Promoting opportunities and educational attainment and reducing inequalities
	Supporting a thriving economy and green transition
VALUES:	Responsive, Innovative, Trusted, Ambitious
ENABLERS:	Financial Sustainability, Transformation & Improvement, Valued Sustainable Workforce

CONTENTS

POLICY STATEMENT

1.1   This policy sets out the approach to managing, reporting, and providing assurance on risks across the Council.   Risk means an **uncertainty**, which has a **possibility** of resulting in positive or negative consequences for the Council. It may affect the achievement of policies, plans, or outcomes. This includes managing risks to achieving the Falkirk Plan and Council Plan (both available on Falkirk Performs).

1.2   This policy also sets out the approach to embedding risk across the Council. This includes integrating risk management into planning and performance reviews (including horizon scanning for new risks and opportunities when developing or reviewing plans), and assurance reviews (including self-assessment and audits).

1.3   The Council's approach to managing and reporting risk should be transparent and consistent with our risk appetite and values (RITA – Responsive, Innovate, Trusted, and Ambitious).

1.4   The Council encourages decision makers to be 'risk aware' rather than 'risk averse'. This means that risk is not a bad thing and does not need to be avoided – it means that it should be considered and inform decisions made on risks v benefits.

1.5   The Council will support employees, communities, and partners who take opportunities - where the risks are considered, reasonable controls are in place to mitigate risks and maximise opportunities; and decisions are proportionately documented, monitored, and reviewed. The Council also aims to adopt a 'just culture'. This term recognises the importance of being open, transparent, and seeking to learn lessons – and it balances risk and accountable[1].

1.6   The Council recognised that the key benefits of risk management are:

- improved communication and understanding of risk – leading to better identification of opportunities and mitigation of risks and issues;
- more resilient Services and communities – supporting the achievement of our Communities priorities (which are set out in the Falkirk Plan) and our Council's priorities (set out in the Council Plan); and
- better evidence to support risk-based decisions - leading to improved assurance results, including self-assessments, audit, and inspection results.
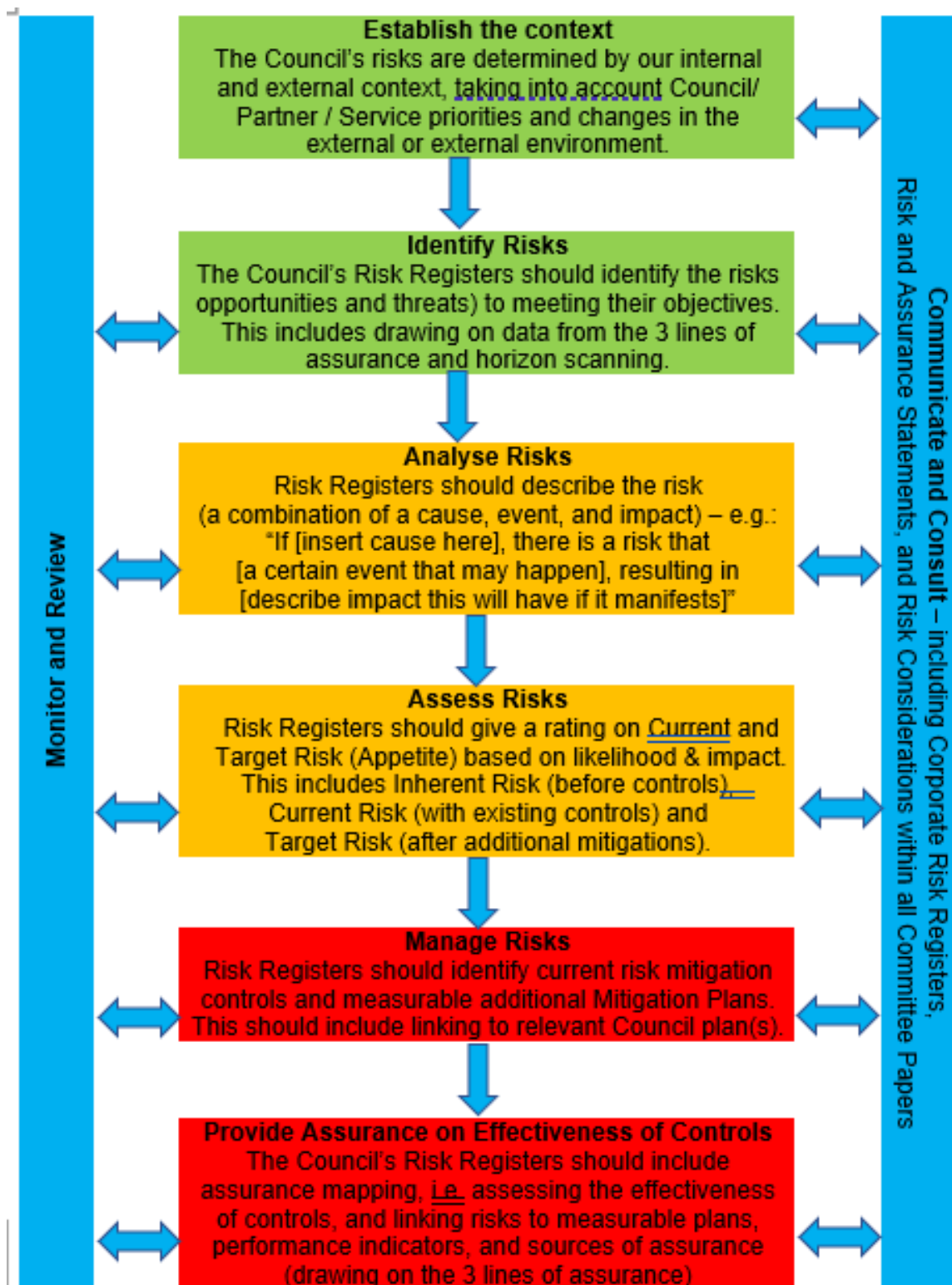
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[1] The NHS describe a 'Just Culture' as "The fair treatment of staff supports a culture of fairness, openness and learning organisation by making staff feel confident to speak up when things go wrong, rather than fearing blame. Further info here.

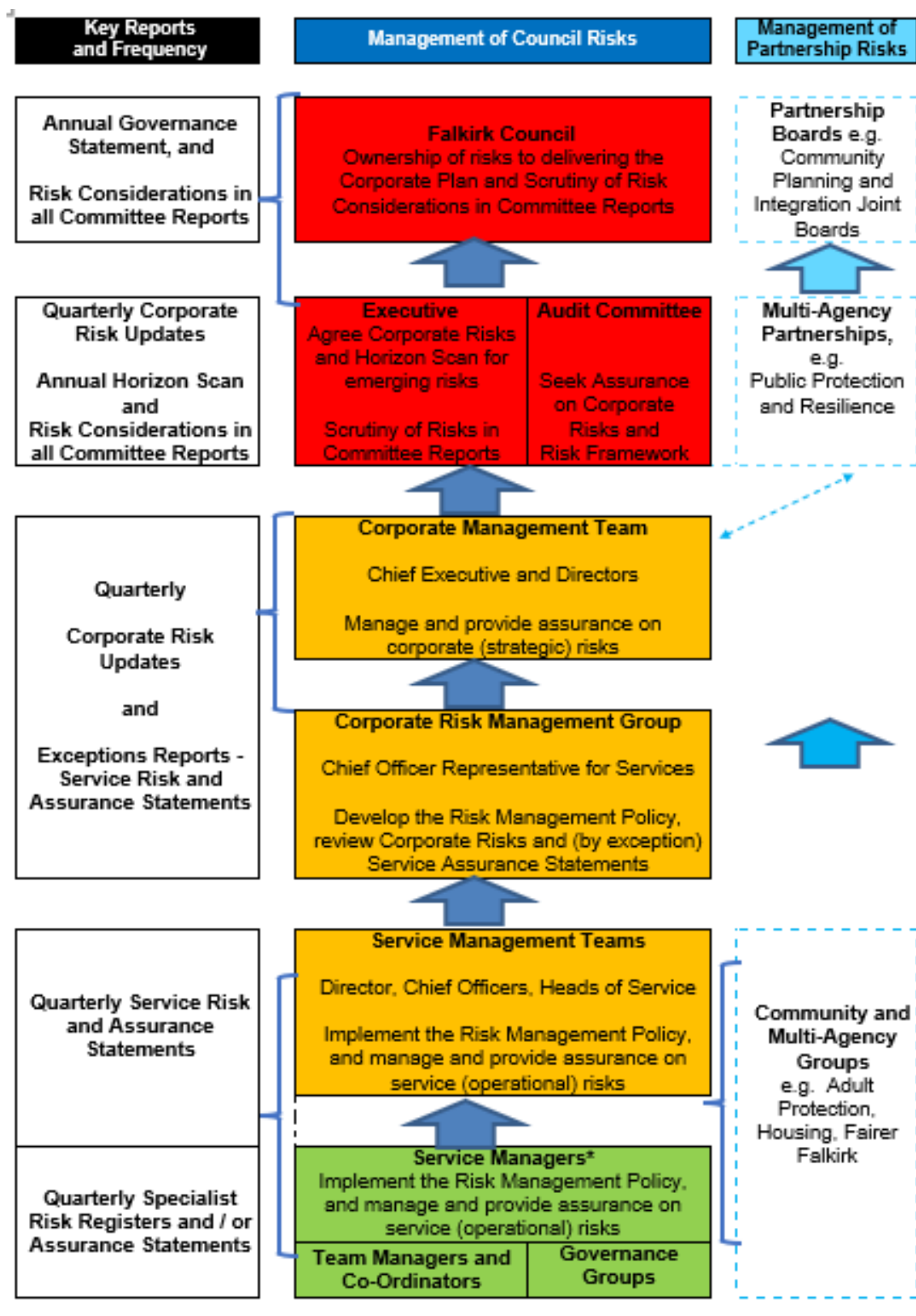# 1. APPROACH TO RISK MANAGEMENT, ASSURANCE, AND RISK REPORTING

1.1 Risk Management Process – Adapted from ISO31000.

The diagram below summarises the whole process and cycle of risk management (adapted from ISO 31000). The shows that risk management is a dynamic process, with frequent reviews of existing risks and horizon scanning for emerging and rising risks to ensure the risks captured in risk reports represent the current risk profile.

Monitor and Review

Establish the context
The Council's risks are determined by our internal and external context, taking into account Council/ Partner / Service priorities and changes in the external or external environment.

Identify Risks
The Council's Risk Registers should identify the risks opportunities and threats) to meeting their objectives. This includes drawing on data from the 3 lines of assurance and horizon scanning.

Analyse Risks
Risk Registers should describe the risk (a combination of a cause, event, and impact) – e.g.: "If [insert cause here], there is a risk that [a certain event that may happen], resulting in [describe impact this will have if it manifests]"

Assess Risks
Risk Registers should give a rating on Current and Target Risk (Appetite) based on likelihood & impact. This includes Inherent Risk (before controls), Current Risk (with existing controls) and Target Risk (after additional mitigations).

Manage Risks
Risk Registers should identify current risk mitigation controls and measurable additional Mitigation Plans. This should include linking to relevant Council plan(s).

Provide Assurance on Effectiveness of Controls
The Council's Risk Registers should include assurance mapping, i.e. assessing the effectiveness of controls, and linking risks to measurable plans, performance indicators, and sources of assurance (drawing on the 3 lines of assurance)

Communicate and Consult – including Corporate Risk Registers, Risk and Assurance Statements, and Risk Considerations within all Committee Papers

1.2 Risk Management Reporting Framework

The diagram below summarises how risks are reported at different levels of the Council, and how Council risks feed into those of key partners. This shows that the Council manage risks in a complex environment, where responsibility for managing risk is shared with community and multi-agency partners rather than just the Council.
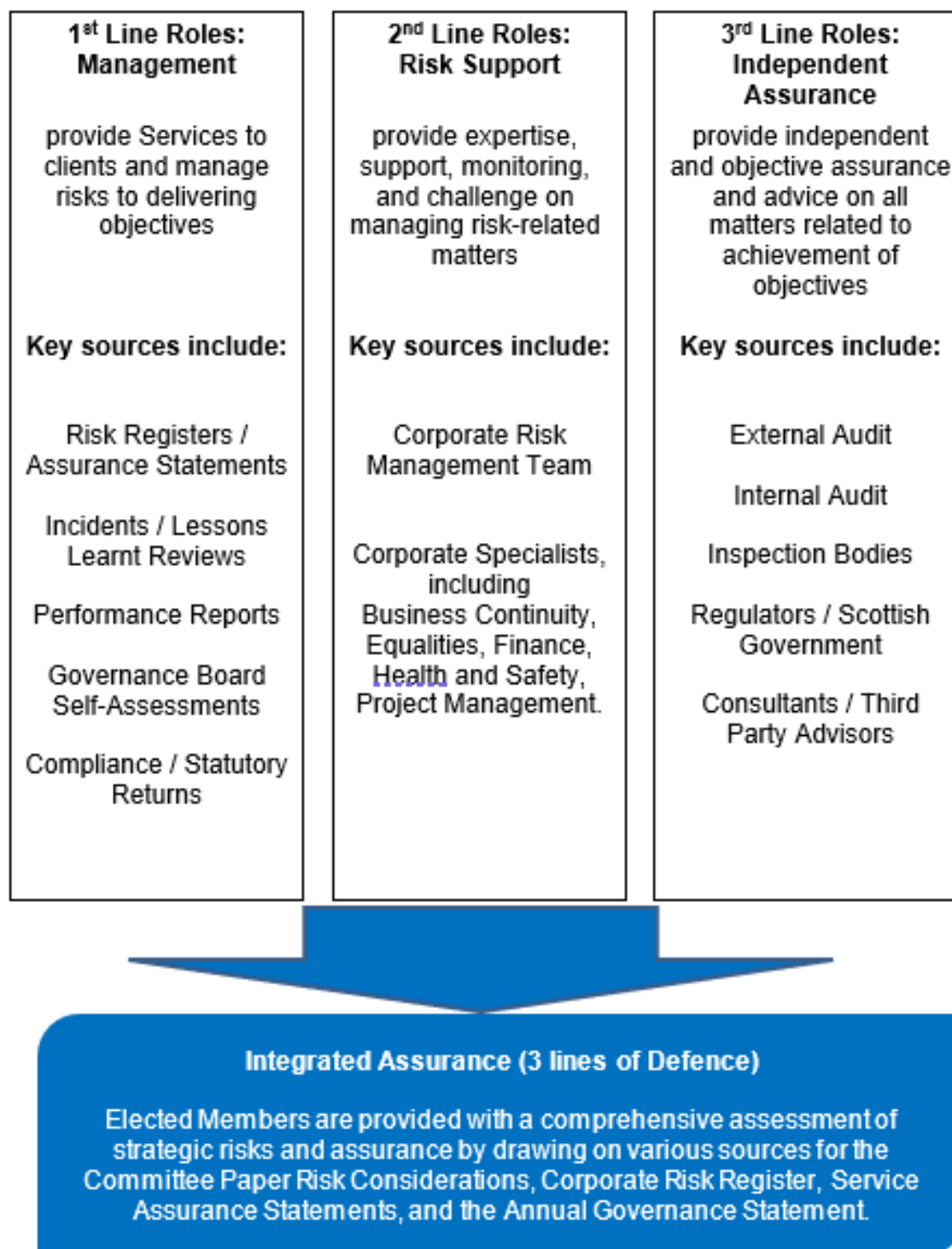
Key Reports and Frequency	Management of Council Risks		Management of Partnership Risks
Annual Governance Statement, and Risk Considerations in all Committee Reports	**Falkirk Council** Ownership of risks to delivering the Corporate Plan and Scrutiny of Risk Considerations in Committee Reports		Partnership Boards e.g. Community Planning and Integration Joint Boards
Quarterly Corporate Risk Updates Annual Horizon Scan and Risk Considerations in all Committee Reports	**Executive** Agree Corporate Risks and Horizon Scan for emerging risks Scrutiny of Risks in Committee Reports	**Audit Committee** Seek Assurance on Corporate Risks and Risk Framework	Multi-Agency Partnerships, e.g. Public Protection and Resilience
Quarterly Corporate Risk Updates and Exceptions Reports - Service Risk and Assurance Statements	**Corporate Management Team** Chief Executive and Directors Manage and provide assurance on corporate (strategic) risks		
	Corporate Risk Management Group Chief Officer Representative for Services Develop the Risk Management Policy, review Corporate Risks and (by exception) Service Assurance Statements		
Quarterly Service Risk and Assurance Statements	**Service Management Teams** Director, Chief Officers, Heads of Service Implement the Risk Management Policy, and manage and provide assurance on service (operational) risks		Community and Multi-Agency Groups e.g. Adult Protection, Housing, Fairer Falkirk
Quarterly Specialist Risk Registers and / or Assurance Statements	**Service Managers*** Implement the Risk Management Policy, and manage and provide assurance on service (operational) risks		
	Team Managers and Co-Ordinators	**Governance Groups**	

Corporate Risk Co-Ordinator: co-ordinate Corporate Risk Assurance reports and provide support to Elected Members, Corporate Management Team, and Corporate Risk Management Group, and Partnerships (including delivering or organising training).
Service Risk Co-Ordinators – co-ordinate Service Risk Assurance reports and provide support to Service CRMG Representatives, Service Management Teams, Service Managers, and Governance Groups (including identifying and co-ordinating training needs)

1.3 Risk Management Assurance Framework (3 lines of defence)

CMT and Service Management Teams (including Directors, Chief Officers, and Heads of Service) need to ensure that all corporate and service risk and assurance reports capture all risks, action plans, and assurance sources relating to all 3 lines of defence below – so that Elected Members are provided with a comprehensive assessment when reviewing risks and / or making decisions.   This includes linking the Corporate Risk Register and Service Risk and Assurance Statements to measurable actions and performance indicators.

1st Line Roles: Management	2nd Line Roles: Risk Support	3rd Line Roles: Independent Assurance
provide Services to clients and manage risks to delivering objectives	provide expertise, support, monitoring, and challenge on managing risk-related matters	provide independent and objective assurance and advice on all matters related to achievement of objectives
Key sources include:	**Key sources include:**	**Key sources include:**
Risk Registers / Assurance Statements	Corporate Risk Management Team	External Audit
Incidents / Lessons Learnt Reviews		Internal Audit
Performance Reports	Corporate Specialists, including Business Continuity, Equalities, Finance, Health and Safety, Project Management.	Inspection Bodies
Governance Board Self-Assessments		Regulators / Scottish Government
Compliance / Statutory Returns		Consultants / Third Party Advisors

Integrated Assurance (3 lines of Defence)

Elected Members are provided with a comprehensive assessment of strategic risks and assurance by drawing on various sources for the Committee Paper Risk Considerations, Corporate Risk Register, Service Assurance Statements, and the Annual Governance Statement.

1.4 Responsibilities – Elected Members and Committees

Council – All Elected Members

CIPFA / SOLACE Guidance Delivering Good Governance in Local Government 2016 states that risk management is an integral part of all activities and must be considered in all aspects of decision making. Risks should be included in all committee papers, where appropriate. Members should, therefore:

- gain a broad understanding of risk management and its benefits;
- require Officers to develop and implement an effective framework for risk management, and report significant risks on a regular basis;
- challenge Officers to ensure risks are considered and recorded in reports; and
- formally consider risks at the start, and throughout the life, of projects.

Executive

The Executive (or Education, Children, and Young People Executive, where appropriate) is responsible for:

- periodically reviewing and approving this Policy;
- review and agree the Council's High Corporate (Strategic) Risks, i.e. those that may impact on delivery of the Council Plan and Business Plan;
- horizon scanning (with CMT) for new and emerging risks (at least annually; and
- review and seek assurance on the framework of risk management, governance and control – including Target Risk (Appetite) and Risk Management Actions/ Plans.

Audit Committee

The Audit Committee's Terms of Reference require it to:

- review and seek assurance on the framework of risk management, governance and control – including Target Risk (Appetite) and Risk Management Actions/ Plans;
- review, and seek assurance on, the system of internal financial control;
- review Assurance Statements to ensure they properly reflect the risk environment;
- produce an annual report to Council on the findings of the assurance reviews above;
- take account of the implications of publications detailing best practice for audit, risk management, governance, and control; and
- take account of recommendations within the relevant reports / minutes of the External Auditor, the Scottish Parliament, and other external scrutiny agencies.

Portfolio Holders

Portfolio Holders are Councillors who have been allocated specific areas of responsibility. The remit of each Portfolio Holder is set out within the Council's Standing Orders, which are published on www.falkirk.gov.uk. Portfolio Holders are assigned to each corporate risks and they are expected to exercise political leadership functions in relation to the monitoring, scrutiny, and assurance on the risks within their remit.

1.5 Responsibilities – Officers and Employees

Chief Executive

The Chief Executive has overall accountability for the Risk Management Assurance Policy and Framework, and for ensuring that effective arrangements are in place to manage risk.

Director of Transformation, Corporate, and Community Services

The Director of Transformation, Corporate, and Community Services is responsible for overseeing the implementation and effectiveness of this Policy; and for raising risk related matters with Corporate Management Team, Audit Committee, and Executive. This includes providing Risk Management Assurance Updates to CMT, Audit Committee, and Executive (at least Quarterly). The Director has delegated oversight and reporting on the effectiveness of risk management to the Chief Finance Officer.

Corporate Management Team

Corporate Management Team (CMT) are responsible for embedding this Policy – including:

- ensuring that relevant Risk Considerations are captured in all Committee Reports;
- contributing to annual reviews horizon scanning reviews (to deliver of the Council Plan);
- scrutinising updates from Corporate Risk Management – including ensuring that risks are identified, assessed, and reported via the quarterly reports below:
  - the Corporate Risk Register (including High and Medium Risks);
  - Risk Management Action Plans;
  - Service Risk and Assurance Statements – Exception Reports; and
  - Governance Group Annual Self-Assessments.

Directors and Service Management Teams (Chief Officers and Heads of Service)

Directors and SMTs are responsible for embedding this Policy – including ensuring that:

- relevant Risk Considerations are captured in all Committee Reports;
- the Corporate Risk Register and Service Assurance Statements are regularly updated and feeding significant updates into their CRMG Representative to ensure they are captured in quarterly corporate risk reports to CMT, Audit Committee, and Executive;
- Governance Groups operate in line with their agreed Terms of Reference and provide CRMG with an annual self-assessment of their remit and effectiveness; and
- employees' risk training needs are assessed (at least annually) and met.

Corporate Risk Management Group (CRMG)

CRMG is chaired by the Chief Finance Officer and has a Chief Officer representative for each Service. CRMG are responsible for embedding this Policy within Services; and reviewing and providing assurance on it's effectiveness. CRMG should ensure that:

- Service Risk Management arrangements are 'owned' by Services;
- the Corporate Risk Register and Service Assurance Statements are regularly updated by Service Management Teams and accurately reflect the current position, prior to reporting to CMT, Audit Committee and Executive;
- the Risk Management Action Plan is monitored and delivered;
- risk is integrated with decision making, transformational change, and performance;
- there is a clear escalation of risks through Managers, SMTs, CMT, and Members;
- the Council's risk and assurance arrangements are proportionate and effective.

Service Managers

Service Managers should continuously identify, assess, and monitor risks; provide assurance; and feed into the SMT reviews above. In particular, Service Managers should maintain their sections of the Corporate Risk Register and Service Risk and Assurance Statements. They should also ensure that employees risk management training needs are assessed and met.

All Employees

Risk management should be integrated into daily activities of all staff and Elected Members. Individuals have a responsibility to make every effort to:
- understand the risks that relate to their role(s);
- be involved in risk assessments related to their role(s);
- be aware of situations which place them and others at risk of harm;
- take steps to mitigate risks, including following all Council policies, guidance, and professional standards; and
- report any concerns (including issues, risks, near misses, and incidents) to their manager promptly, so that these can be addressed and, if necessary, lessons learnt.

Corporate Risk Co-Ordinator

The Corporate Risk Co-Ordinator should:

- provide support and challenge to Services on the implementation of this Policy;
- provide support to Partners (as required) on the implementation of their Risk Management Policies (including the Falkirk Health and Social Care Partnership);
- co-ordinate CRMG activities – including agendas and monitoring progress on actions;
- prepare Risk Management Assurance Updates for CRMG, CMT, Audit Committee, and Executive (at least quarterly – including the reports outlined previously);
- co-ordinate Corporate Risk Training for Officers and Elected Members;
- continuously review and adopt relevant good risk management practice and guidance;
- co-ordinate Risk Management Assurance Self-Assessments (at least 2 yearly);
- co-ordinate Risk Management Assurance Internal Audits (at least 3 yearly); and
- continuously review relevant good risk management practice and guidance; and incorporate this into reviews of this Policy and Risk Guidance (at least annually).

Internal Audit, Risk, and Corporate Fraud Manager

The Internal Audit, Risk, and Corporate Fraud Manager is responsible for developing and completing an Annual Risk Based Internal Audit Plan. The aim is to provide assurance on the Council's arrangements for risk management, governance, and control.

1.6 Responsibilities – Statutory Officers

In summary, Statutory Officers have specific duties as set out in legislation and discharge these roles as part of their wider responsibilities within the Council. They have an important, independent, role in promoting and enforcing good governance and for making sure the Council complies with legislation. Statutory Officers' responsibilities include highlighting where a Council Policy may break the law or breach Financial Regulations. These Officers must have direct and regular access to the Chief Executive, Elected Members, and other Senior Officers.

In addition to these roles, several other Chief Officers have responsibility for implementation, compliance, and monitoring of statutory duties – including planning, roads and bridges, fleet, and information governance duties. Their roles are set out within relevant job descriptions and Council strategies, policies, or Executive reports.

Chief Governance Officer (CGO) / Monitoring Officer

The Local Government and Housing Act 1989 (Section 5) established this role. The Monitoring Officer is required to prepare a report for the consideration of the full Council if they believe that any proposal, decision, or omission by the Council, or by any Committee or sub-Committee, contravenes any legislation or code of practice.

Chief Financial Officer (CFO)

The Local Government (Scotland) Act 1973 established this role, and Section 95 states that 'Every local authority shall make arrangements for the proper administration of their financial affairs, and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.' In addition, CIPFA sets out the following risk principles:

- Principle 1: The CFO should contribute to the effective corporate management of the authority, including strategy implementation, cross-organisational issues, integrated business and resource planning, risk management, and performance management; and

- Principle 2: The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities, and risks are fully considered, and alignment with the authority's overall financial strategy.

Chief Social Work Officer (CSWO)

The Social Work (Scotland) Act 1968 established the role of the Chief Social Work Officer (CSWO). It is focused on the provision of effective professional advice and guidance to Local Authorities, Integration Joint Boards, Elected Members and Officers in the provision of social work services whether directly provided or commissioned. There is a statutory requirement for all Local Authorities to appoint a professionally qualified CSWO who is registered with the Scottish Social Service Council (SSSC). The role

assists the Council and the Integration Joint Board to understand the responsibilities and the complexities involved in the delivery of Social Work services. The CSWO has key responsibility for performance management and the identification and management of corporate risk, as it relates to the delivery of social work services. The CSWO is required to ensure that all social services workers meet the requirements of the SSSC Codes of Practice.

2. RISK MANAGEMENT TRAINING AND GUIDANCE

2.1 All Employees (at Team Leader or Co-ordinator and above) and Elected Members should complete the following risk management training (on induction and at least 3 yearly):

- Risk Management E-Learning on OLLE – Principles – takes around 30 minutes; and
- Risk Management Training relevant to their specialism (as part of wider training).

2.2 This policy is supported by a range of guidance, which will be accessible on the [Corporate Risk Management pages on the Council's internet](). All guidance will be reviewed and approved by Corporate Risk Management Group.

2.3 Chief Officers are responsible for ensuring the above training is completed, and that a Service Risk Management Training Needs Assessment is completed (at least annually) and monitored as part of Service Risk and Assurance Statements. This includes embedding risk management into professional and vocational training. For example, risk should be part of Inductions, Leadership Development Programmes, Teachers' Development Programmes. Also, Social Work colleagues should complete the [Scotland's Social Services Council course called "a Risk Worth Taking]()?". This aims to provide the confidence and skills to balance risk and enablement decisions.

2.4 The Corporate Risk Co-Ordinator (and / or other Risk Specialists) can support Services with Training Needs Assessments and development or delivery of relevant risk training. This will be in a format that is the most suitable to the audience.

3. OTHER RISK MANAGEMENT STRATEGIES / POLICIES / GUIDANCE

3.1 Separate and specific risk management strategies, policies, guidance, and risk registers may also be in place for key risk subjects and partnerships. This includes, for example:

- Asset Management and Capital Planning
- Budgeting
- Health and Safety
- Large-Scale Investment projects
- Public Protection
- Transformational Change
- Business Continuity and Resilience (links to Resilience Partnerships)
- Health & Social Care Partnership (links to NHS and other Partnerships)

3.2 The Chief Officer who leads on each of the above risk subjects should ensure that they are regularly reviewed and approved by CMT and relevant Committees. And they should also ensure that the strategy / policy/ guidance is consistent with the Risk Management Assurance Policy and Framework and associated Risk Guidance (except where specific exceptions have been agreed by the Council's Executive and Partnership Boards)

Falkirk Council

Title:	**Corporate Risk Management Update**
Meeting:	**Audit Committee**
Date:	**7 November 2022**
Submitted By:	**Director of Transformation, Communities & Corporate Services**

1.   Purpose of Report

1.1.   The purpose of this report is to provide the Audit Committee with an update on Corporate Risk Management (CRM) arrangements including a review of the Corporate Risk Register (CRR), Service Assurance Statements, and Risk Management Improvement Plan.

2.   Recommendations

2.1   The Audit Committee are asked to:

(1) Scrutinise and (where necessary) seek further assurance from Chief Officers on the following:

- **Appendix 1: Corporate Risk Register – Summary of Corporate Risks;**
- **Appendix 2: Service Assurance Statements – Exception Report.**

(2) Consider and provide comments on the following:

- **Appendix 3: 2022-23 Risk Management Improvement Plan ('Plan'); and**

- **The format and content of this report.**

2.2   Refer this report to the Executive for consideration and approval.

3.   Impact on Climate Change Targets

3.1.   Outputs within this report will not have a direct beneficial impact on the organisation and national climate change targets. However, improving risk management arrangements should help to ensure that the Council delivers on its stated ambitions, policies, and priorities.

4.   Background

4.1   The current Risk Management Assurance Policy was agreed by the [Executive in October 2021](#). The Policy is that Audit Committee receive quarterly updates which will be referred to the Executive for review. The Executive are also responsible for approving the Corporate Risk Register (CRR).

4.2   The last update was considered by the Audit Committee in March 2022 and the [Executive in June 2022](#). This included an update on the CRR and the 2021/22 Risk Management Improvement Plan. The outstanding actions from the 2021/22 Plan are captured in the 2022/23 Plan.

4.3   The Falkirk Health and Social Care Partnership (HSCP) and Integration Joint Board (IJB) have their own [IJB Risk Strategy](#), [IJB Strategic Risk Register](#), and [Plan](#). These were considered by the IJB Audit Committee in September 2022.

5   Considerations

5.1   Corporate Risk Register

5.1.1   A Summary of High Corporate Risks is included in Appendix 1; and further details on each risk are available as background papers. The register is updated by Lead Officers on Pentana. A number of risks are captured throughout the CRR, rather than being shown as stand-alone risks, for example COVID-19 and Economic Impacts, the impact of the Ukraine conflict and cost of living crisis.

5.1.2   The Council's Corporate Management Team (CMT) have agreed to take the following actions to improve the completeness and reliability of the CRR data by December 2022:

- Lead Officers will insert Target Risk Dates on all corporate risks where the Current Risk is above Target Risk (Appetite); and

- Lead Officers will provide SMART (Specific, Measurable, Achievable, Realistic, and Timebound) action plans for all corporate risks.

5.1.3   CMT and the Leadership Group will also undertake a Risk Horizon Scanning Workshop with Elected Members by March 2023 to identify emerging risks that may impact the delivery of the Council Plan.

5.1.4   There are no new High Corporate (Strategic) Risks since June 2022, and the only significant change is that HR and Workforce Planning has reduced from High to Medium risk following the approval of the Council's Workforce Plan.

5.1.5   Financial Sustainability remains a high risk for the Council and the position is worsening. The CRR has been updated to reflect the Financial Strategy being approved by Council (excluding the Council Tax Strategy) but this of itself does not reduce the risk rating. Decisions that the Council makes over the coming months, along with external factors, will impact on the risk rating.

5.1.6   Cyber Security continues to be rated as medium risk following a recent Internal Audit which provided Substantial Assurance; but the risk rating is still under review and any change will be confirmed in the next CRR update.

5.1.7   CMT have agreed that Medium Corporate (Operational) Risks will be reviewed by Service Management Teams and CRMG each quarter, and these will only be reported to CMT and Elected Members by exception (see section 5.2).

5.2   Service Assurance Statements – Exception Report

5.2.1   Services currently prepare Service Assurance Statements on a quarterly basis which are signed off by Directors and SMTs. The Exception Report (at Appendix 2) includes a summary of risks which are high risk and / or have limited assurance in each Service – meaning there is a risk that Service objectives will not be met and / or risks are above appetite. These statements will, by necessity, evolve to reflect the revised Council priorities and updated Service Plans.

5.2.2   The Corporate Risk Management Group (CRMG) have agreed that Service Management Teams (SMTs) will take the following actions to improve the completeness of their statements by December 2022:

- Lead Officers will insert Target Risk Dates on all items where there is high risk and / or limited assurance (i.e. where risks are above appetite); and

- Lead Officers will ensure that assurance statements include SMART actions.

5.2.3   Services will undertake Risk Horizon Scanning Workshops in this financial year to identify emerging risks that may impact the delivery of their Service Plans.

5.2.4   Audit Scotland published their 2021/22 Review of Fraud and Irregularity in July 2022. Services should consider this document when updating their sections of the Council's Fraud Risk Assurance Statement; and any change or additions will in turn feed into the mid-year Annual Governance Statement reviews in January 2023.

5.3   2022/23 Risk Management Plan

5.3.1   The proposed 2022/23 Risk Management Plan is included in Appendix 3. This is broadly a refresh of the 2021/22 Plan. It sets out the key actions to be taken to further embed the CRM Policy – both at Corporate and Service levels.

5.3.2   CMT have undertaken a review of current risk management arrangements and identified the current strengths, weaknesses, and areas for improvement.

5.3.3   CMT agreed that there has been good progress in embedding effective risk management across the Council. The importance of robust risk management is actively recognised and managed with good risk conversations taking place in boards and working groups throughout the Council.

5.3.4   CMT have also reviewed the risk management plan and propose that most actions continue, including training, horizon scanning, and assurance mapping (which means linking risks to measurable actions, performance indicators, and sources of assurance).

5.3.5   CMT have recommended some changes to the CRM arrangements, including:

- Scrutiny Committee Deep Dives exercises will not be continued but the Audit Committee and the Executive can request that a matter is referred to the Scrutiny Committee as set out in the Council's Standing Orders;

- Further consideration of the need for Risk Appetite Statements. In the meantime, CRM reports and risk discussions with Members will focus more on Target Risk (Appetite) (which is already reported but has to date not been actively discussed); and

- Corporate risk implications will be captured more explicitly in Committee papers – and guidance / templates / training will be updated to support this.

5.3.6   The above CMT proposals above are subject to discussion with the Audit Committee and approval by the Executive.

5.3.7   All actions on the 2022/23 Risk Management Plan are expected to be implemented by 31 March 2023. CMT have, however, also highlighted that front-line service delivery and addressing the Council's financial pressures is the priority for Members and Officers; and this may result in some delays in e.g. Progress / status will be reported within quarterly reports to CRMG, CMT, Audit Committee, and the Executive. In addition, the plan includes the following steps to assess the effectiveness of the CRM arrangements - Risk Surveys (Annually), CRM Self-Assessments (2-Yearly), and Audits (3-yearly).

6   Consultation

6.1   The content and recommendations in this report have been discussed with the CRMG and CMT.

7   Implications

Financial

7.1   There are no direct financial implications linked to the recommendations. However, it is recognised that effective risk management should help to avoid wider financial sustainability issues associated with the non-delivery of projects and policies.

Legal

7.2   There are no legal implications arising from this report.

Risk

7.3   The actions outlined in this report and commitment to improving risk management arrangements will help to more effectively manage risk across the Council.

Equalities

7.4   This report does not present any equality issues. However, effective risk management should minimise the risk of equality issues arising for the Council.

Climate Change Impact

7.5   This report does not have any direct climate change impacts.

8   Conclusions

8.1   The purpose of this report is to provide the Members with an update on Corporate Risk Management (CRM) arrangements including a review of the Corporate Risk Register, Service Assurance Statements, and Risk Management Improvement Plan.

8.2   The Audit Committee are asked to scrutinise the report and agree the recommendations outlined in section 2.

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Director of Transformation, Communities & Corporate Services

Authors: Amanda Templeman, Chief Finance Officer
              Hugh Coyle, Corporate Risk Co-ordinator

Date: 18 October 2022

Appendices:
Appendix 1: Corporate Risk Register – Summary of High Corporate Risks
Appendix 2: Service Assurance Statements – Exception Report
Appendix 3: 2022-23 Risk Management Plan

List of Background Papers:

• [Corporate Risk Register – including Details of High Corporate Risks](#)
 [Risk Scoring Guidance](#)

Summary of High Corporate Risks

Lead Service	CS - Children's Services	PS - Place Services	SWAS - Social Work Adult Services	TCCS – Transformation, Communities & Corporate
Link to Council Plan Priorities	STR – Stronger and More Health Communities	PRO – Promoting Opportunities and Reducing Inequalities	OPP – Opportunities, Educational Attainment, and Inequalities	ECO – Economic & Green Transition
Assurance Level	🔴 None – Significant weakness in controls	🟨 Limited – Some significant Weaknesses in Controls	▶️ Substantial – Controls Effective	ⓘ Risk assessment is required
Progress Towards Target	🔴 Significantly Overdue - Target Date Missed	🟨 Slightly Overdue – Target Missed or Unlikely to be met	▶️ Completed or On Track to meet Target Date	ⓘ SMART plan is required

Lead and Priority	Risk Title	Current Risk Level	Current Assurance Level	Target Risk (Appetite)	Target Risk Date and Status	Brief Comments – including Significant Changes and Current Progress Towards Target Risk (Appetite)
CS **STR**	Public Protection: Harm to Adults or Children	Inherent High	▶️	Inherent High	-	Inherently High Impact – cannot be reduced to Medium. The Chief Social Work Officer provides regular assurance and there is a Public Protection Chief Officers' Group Risk Register.
CE **Enabler**	Leadership, Decision Making, or Governance (including Best Value)	High	🟨	Medium	Dec 2022 ▶️	Reduced from Medium to High in 2021/22. Best Value Action Plan on track to reduce this to Medium.
TCCS **OPP**	Equalities Duties	High	🟨	Medium	March 2023 🟨	Reduced from Medium to High in 2018/19 due to Internal Audit. Best Value Action Plan has some slippage on self-assessment.
CS **STR**	CONTEST (Terrorism), (including Martyn's Law and Radicalisation)	High	ⓘ	Medium	To be confirmed ⓘ	Reduced from Medium to High in 2019. A SMART Action Plan is required to evidence the steps towards Target Risk.
TCCS **Enabler**	Transformation – Delivery of COTF Program	High	🟨	Medium	March 2023 ▶️	Reduced from Medium to High in 2021/22. Best Value Action Plan on track to reduce this to Medium. Internal Audit on COTF Saving Tracking is ongoing
TCCS **Enabler**	Financial Sustainability	High	🟨	Medium	March 2023 ▶️	High since 2018. Target Risk is due to be met once Financial Strategy is implemented but sigfnificant ongoing risks.

Summary of High Corporate Risks (continued)

Lead and Priority	Risk Title	Current Risk Level	Current Assurance Level	Target Risk (Appetite)	Target Risk Date and Status	Brief Comments – including Significant Changes and Current Progress Towards Target Risk (Appetite)
TCCS **Enabler**	Health, Safety, and Wellbeing	High		Medium	To be confirmed	Reduced from Medium to High in 2019. A SMART Action Plan is required to evidence the steps towards Target Risk.
TCCS **OPP**	Poverty – impacts on individuals and families	High		Medium	To be confirmed	Reduced from Medium to High in 2019/20. It remains above target because of the impacts of the cost of living crisis, albeit the Council have taken action to improve support.
PS **ECO**	Climate Change – Delivery of Climate Emergency Declaration	High		Medium	To be confirmed	Reduced from Medium to High in 2019/20. Climate Emergency Declaration in place, but there is currently insufficient capital budgets to deliver projects and meet ambitions/ declaration.
PS **ECO**	Local Economic Downturn and Regeneration	High		Medium	To be confirmed	Reduced from Medium to High in 2020/21 due to COVID-19 and economic impacts. Growth Deal progressing but decisions needed by Council before the Target can be achieved.
PS **Enabler**	Resilience: Business Continuity	High		Medium	2023/24	Reduced from Medium to High in 2019/20. An IT system is being implemented to support the new Resilience Framework, including improved Business Continuity planning and testing.
SWAS **STR**	Feeley Review (National Care Service)	High		Medium	To be confirmed	Council agreed a response to national consultations in 2021. SMART Actions and Target can't be set until national changes become clearer, but IJB transformation continues meantime.
IJB **STR**	Health and Social Care Transformation	High		Medium	To be confirmed	Internal Audit on IJB Risk Management in June 2022 provided limited assuarnce. Since then, an updated IJB Risk Strategy, Risk Register, and Action Plan was agreed in September 2022. The Plan is due to be implememted by June 2023, but the risks will remain high due to inherent nature of the risk environment.

Service Assurance Statements – Exception Report

Overview
Note that the following table is abbreviated from the Service Risk Assurance Statements maintained by Service SMTs and reviewed by CRMG each quarter. As highlighted in the covering paper, further work is being undertaken to make the statements more measurable and consistent across Services; and to link them to Service Plans. This should improve the measurability of Service Risk Assurance Statements and Exception Reports. As part of this work, we plan to report in future on the outcomes and progress with SMART action plans relating to **significant** incidents / audits / inspections / self-assessments etc. (**significant** broadly meaning those rated high risk and / or limited assurance).

Children's Services

Division: Children & Families Social Work

- Lead on the Corporate Risks: (1) Public Protection and (2) Feeley Review/ National Care Service.
- Social Work provide detailed assurance reports to the Education, Children & Young People's Executive and Public Protection Chief Officers' Group– including inspections, self-assessments, etc.
- Public Protection is inherently high risk due to potential severe impacts. Current areas of limited assurance are Workforce Capacity and Gender Based Violence and plans are being developed.
- Social Work and Education also identify risks associated with providing support to refugees - whilst these present risks and challenges, recent Committee papers have provided substantial assurance.

Division: Education

- Lead on the Corporate Risks: (1) Attainment (2) Early Years Expansion (3) Children's Mental Health Services (4) Social Work System Replacement (each rated High Risk and Substantial Assurance).
- Key Projects have progressed well – such as Early Years & Free School Meals expansion – but significant budget risks remain, such as possible government funding shortfalls still to be assessed.
- COVID-19 remains a significant risk in terms of e.g. capacity, changing national guidance, long-term impacts on young people etc. There is ongoing consultation with Teachers, Parents, Government etc

Place Services

Division: Invest Falkirk

- Lead on Corporate Risks: (1) Major Capital Projects and (2) Asset Management - Property.
- Major Projects is limited assurance due to the complexity and volume of works, and inherent risks with construction and wider cost inflation, and supply chain constraints such as labour and materials.
- Business Continuity is High Risk and Limited Assurance (since 2018-19) because plans are incomplete. A new BC Framework and system aims to improve planning, reviews and exercising.
- Resilience Partnerships are rated Medium and Substantial Assurance because they are effective.

Division: Environment & Operations

- Lead on Corporate Risks: (1) Assets Management – Fleet & Open Spaces (2) Regulatory Enforcement (including Environmental Health) (3) Regulatory Compliance (including Waste & Fleet)
- Key service risks include staff shortages and ability to retain and recruit staff.
- Motor Accidents are High Risk and Limited Assurance due to long-term high level of accidents. Potential impacts include injury, damage, and loss of fleet license / not being able to deliver services
- Trees assets are High Risk and Limited Assurance due to gaps in funding to deliver aspects of the Open Spaces Strategy. Both Fleet & Trees have been assurance issues since 2018/19.
- Engineering projects - including Grangemouth & other Flood Protection Schemes are rated High Risk and Limited Assurance because of inherent risks (as outlined in Major Project risks above).

Division: Growth, Planning & Climate

- Lead on Corporate Risks: (1) Economy (2) Climate Change (3) Regulatory Enforcement - Planning
- Local Economic Downturn and Regeneration is High Risk and Limited Assurance - specifically the additional inflationary pressures and potential recession beyond 2022.
- Climate Change is High due to gaps in funding and projects to meet Climate Emergency Declaration
- Regulatory Enforcement is substantial – based on Fraud & Irregularity Risk Assurance Statements.

Service Assurance Statements – Exception Report (Continued)

Social Work Adult Services

- Adult Services provide detailed assurance reports to the Public Protection COG, the IJB, and the IJB Audit and Clinical & Care Governance Committees – including the IJB Risk Register and inspections
- Adult Services provide Limited Assurance on the effectiveness of their Business Continuity, Health & Safety (including Fire Risk Assessment), and Procurement (e.g. Care Home Contracts).
- The IJB Risk Register rates most risks as high – but with a target of medium - because of inherent level of change, capacity pressures, COVID-19, recruitment, and Feeley / National Care Review etc.
- Internal Audit on IJB Risk Management Audit in 2021/22 provided limited assurance - action plan is in place and progress being made, e.g. revised IJB Risk Strategy and Plan implemented Sept 2022.

Transformation, Communities, and Corporate Services

Division: Housing and Communities

- Lead on the Corporate Risks: (1) Poverty (2) Community Planning (3) Participation (4) Housing Strategy (5) Potential Changes to Housing Standards - all Medium and Substantial Assurance
- Community Planning and Participation were identified as limited assurance in Best Value Review, but improvements have been implemented and both are expected to be removed from CRR shortly.
- Housing is rated as medium and Substantial Assurance – based on Annual Assurance Reports.
- Poverty is rated as high but there is Substantial Assurance on the actions being taken to address income maximisation, but there are still significant risk/uncertainty due to energy and living costs etc.

Division: Finance

- Lead on the Corporate Risks (1) Financial Sustainability (2) Financial Controls (3) Health & Safety (4) Information – Governance & ICT (5) Cyber (6) Transformation (7) (8) Performance (Best Value)
- Capital Planning has been rated high risk / limited assurance since 2018-19. The improvements are now being led by the Strategic Asset Modernisation Board.
- Financial Sustainability - the Financial Strategy is the main action – when implemented it should help achieve target risk of medium / substantial assurance. But there remain significant economic risks.
- Information Governance – Compliance with Freedom of Information Requests is limited assurance.
- ICT - Cyber Security is rated as medium and substantial assurance following an Internal Audit.
- Performance and Transformation – the latest Best Value confirms that actions are being progressed and on track to be completed by March 2023. Internal Audit of COTF Savings Tracking is ongoing.

Division: Governance

- Lead on the Corporate Risks: High - (1) Equalities (2) Health & Safety (3) HR & Workforce Planning (4) Procurement

- Leadership - Governance - several actions are Red (no assurance) - SMART action plans required.
- Health & Safety has been Limited Assurance since 2018-19. Service Safety Management Systems to be implemented and Premises Management to be improved. Wellbeing is substantial assurance.
- HR recently reduced from High to Medium because Council Workforce Strategy agreed, but Limited Assurance in some Services because the status of Service Workforce Plans are to be confirmed.
- Procurement is rated substantial assurance - based on the Annual Procurement Report to Scottish Government and the Fraud & Irregularity Risk Assurance Statements.

2022/23 Risk Management Plan

Part 1: Corporate Risk Management Actions / Indicators

No.	Actions / Indicators	Summary of Key Actions and Current Status	Current Assurance
1.1	**Risk management Assurance Policy and Framework** will be reviewed 3 yearly and is supported by guidance and training.	Policy reviewed in October 2021 and will next be reviewed in 2025. In addition, CRMG will develop additional guidance on an ongoing basis. Partly Amber (Limited Assurance) because guidance is to be refreshed in advance of training with Elected Members and the Leadership Team by March 2023.	🟨 ▶
1.2	**Risk Considerations within all Committee Reports** will be captured explicitly in all Committee papers	Corporate risk implications to be captured more explicitly in all Committee papers. CMT agreed that the CRM Co-Ordinator will develop guidance and templates and review all Committee papers before pre-agenda stage (at least until March 2023) to ensure this is embedded.	🟨
1.3	**Target Risk (Appetite)** Will be discussed with Elected Members and be supported by SMART Action Plans	CMT propose that Risk Appetite Statements are not developed - instead, Corporate risk reports and risk discussions with Members will focus more on Target Risk (Appetite) (already reported, but not actively discussed). Amber (Limited Assurance) because most risks above Target Risk (Appetite) need SMART action plans to evidence how and when the Target Date will be achieved.	🟨
1.4	**Corporate Risk Reports** Quarterly Reports will continue to be provided to CMT, Executive and Audit Committee.	Quarterly Reports are provided to CMT, Executive, and Audit Committee. These include (as a minimum) the CRR, Plan, and Service Assurance Exception Reports. Substantial Assurance because reports are provided regularly, and they've been reviewed to ensure the content is shorter and more meaningful for CMT and Members.	▶
1.5	**Horizon Scanning** will be undertaken Annually with CMT, the Leadership Team, and relevant Members.	A Horizon Scanning session will be undertaken with CMT and the Leadership Team by March 2023, to assess the risks to delivering on the Council plan. Elected Members will also be invited to participate as necessary.	ⓘ

Part 2: Service Risk Management Actions / Indicators

Ref.	Actions / Indicators	Summary of Key Actions and Current Status	Current Assurance
2.1	**Service Risk Assurance Statements** are reviewed Quarterly and link to Council & Service Plans	Statements are in place and reviewed quarterly by SMTs, but limited assurance because they still need to link to the Council Plan and Service Plans. Currently it's difficult to draw reliable assurance because most statements lack SMART actions.	🟨
2.2	**Horizon Scanning** Services regularly identify current & emerging risks	Horizon Scanning to be completed by SMTs once Service Plans in place. Amber (limited assurance) currently because most Service Assurance Statements rarely identify new risks, so it's uncertain if they are dynamic and reflect risk profiles.	🟨
2.3	**Assurance Mapping:** Risks are linked to all relevant Plans and Performance Data	Service Action Plans are in place or being developed; but more work is needed to link plans to risks by Dec 2022. CMT also to decide on the systems/ process for Service Plans and Assurance Statements – without this there are significant challenges in providing measurable risk action plans and reducing inconsistency in reports.	🟨
2.4	**Risk Management Training and Briefings** Staff /receive relevant risk training and guidance	Limited Assurance because Services need to ensure that Team Leaders and above complete a refresh of the CRM E-Learning (on the OLLE system) by November 2022 (and then at least every 3 years). OLLE includes an evaluation to identify any additional training needs in 2023. Also, partly Substantial Assurance because there is risk training specific to key job roles in some Services - for example, Social Work risk training links to Social Care Standards and we need to align this with corporate risk.	🟨 ▶
2.5	**Specialist Risk Registers and / or Assurance Statements** are in place and reviewed by Lead Officers / Groups Quarterly	Limited Assurance because there needs to be better tracking of Specialist Risk Registers by SMTs as part of Service Assurance Statements and the CRR, to ensure any significant risks are identified and escalated. Also, partly Substantial Assurance because there are examples of effective Specialist Risk Registers, such as Public Protection, Asset Management, and some Major Projects.	🟨 ▶
2.6	**Governance Group Annual Self-Assessments** will review purpose, strategy/plans, and effectiveness.	Governance Groups will provide Annual Self-Assessments which feed into the Corporate Risk Register and Annual Governance Statement (prepared in March 2023). Partly Amber (Limited Assurance) because some self-assessments need to be supported by more evidence of a measurable approach to self-assessment and SMART actions. It's also partly Substantial Assurance because some Groups already provide detailed self-assessments.	🟨 ▶