

# Headline Report on Corporate Risks

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Risk Code & Title	Risk Description	Original Risk Score	Current Risk Score	Current Risk Likelihood	Current Risk Impact	Target Risk Score	Notes & History Latest Note
MC01-01 People risks	<p><u>Potential sub risk</u> areas include:- 01 – health and safety – duty of care over employees 02 – difficulties recruiting the right staff 03 – retaining quality staff 04 – low skill levels 05 – low morale, especially during change 06 – non compliance with policy and procedure 07 – ageing work force and 08 – high absence rates There is currently a further group of threats that are impacting on the Council and its employees and these are external factors: public sector pay freeze, pension reforms, industrial action, public sector reform, reduction in household incomes, reduced ability to retire, limited job opportunities</p>	18	12	1	4	6	<p><b>12/13:</b> Two years into the People Strategy implementation and key work underway relating to Management Development, Celebrate Midlothian and using the Competency Framework as a tool for performance and development rather than reward. Our employee engagement survey results in 2013 highlight that we are delivering on the strategy itself. The results show we are making progress towards having a supported, engaged and high performing workforce.</p> <p>Mi Future was launched in May to deliver on the no compulsory redundancy policy and ensure that we develop and grow our own workforce.</p> <p>Anticipate that low risk will be achieved at the end of the current People Strategy in March 2014. A new People Strategy will be developed to address the strategic priorities of the Council moving forward and the inherent risks which remain.</p>

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MC01-02 Governance and Standards in Public Life	<u>Potential</u> sub risks include:- 01 Macro governance at the top – failure in openness, accountability, clarity; 02 Micro governance in services, partnerships and projects and outcomes not achieved 03 Non compliance with codes of conduct and reduction in standards in public life	18	12	1	4	6	<b>12/13:</b> Review of the Code of Corporate Governance still needs to be concluded. Resources from internal audit were offered previously to assist with this, as reported in Q3, but have not yet been forthcoming. Data protection governance improvements underway and follow up audit will give assurance as to increase in controls. Leave as MEDIUM risk for the time being. Can hopefully be reduced to LOW risk once review of the Code of Corporate Governance is complete and ICO Data Protection audit is completed and reported.
MC01-03 Customers and Performance	<u>Potential</u> sub risks include:- 01– Increasing number of complaints, reputation damage from BV; 02 – Lack of modern facilities for public relate to the Council; 03 – Poor management information for which to monitor performance and to inform the public; 04 – Limited capacity to improve; and 05 – Inspection criticism and reputation damage	18	13	2	3	6	<b>12/13:</b> Progress continues on Customer Services Business Transformation project, last meeting was 09 April 13. This remains a MEDIUM risk overall at this time, as a major review of the Customer Service Strategy is required for 2013/14 onwards. Main risks/issues are still around resources (currently for Complaints, but going forward for leads for the next series of work-streams), corporate buy-in, interdependencies on other work-streams e.g. EWiM and clarity in relating to future location for frontline service delivery. Work-stream continues to be monitored through Project Board and Business Transformation Board progress reports.
MC01-04 Internal Control Environment	<u>Potential</u> risks include:- 01 – Fraud 02 – Waste and 03 – Error caused by inadequate internal control, residual risk and poor governance at macro and micro levels.	14	13	2	3	6	<b>12/13:</b> The Internal Audit Manager's Statement of Internal Control is highlighting some internal control areas for improvement, as is the Annual Governance Statement. Therefore the risk appetite of a low score achieved by 31 March 2013 has slipped and a new target date of 31 July 2013 has been set. Therefore, the medium risk score mirrors the level of residual risk.

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MC01-05 Balancing Budgets in future years/Impact of Budget Cuts/Financial Strength of Council	<u>Potential</u> sub risks include:- 01 – Slow realisation of savings 02 – Improvements to services cannot be financed as a result of budget cuts 03 – Missing external grant opportunities 04 – Poor collection performance in income streams 05 – Fees and charges out of date 06 – Unforeseen commitments	14	18	2	4	6	<b>12/13:</b> The future for the Council's finances remain unpredictable and challenging. Budget cuts were made to balance the budgets for 13/14 but this is already putting pressure on services.
MC01-05 Inability to meet demand for alternative accomodation	Housing Under-occupancy charges may mean that the demand for smaller properties exceeds supply	13	13	2	3	6	<b>12/13:</b> This risk will commence from Apr 13. Risk rating to be monitored meantime.
MC01-06 Emergency Planning and Business Continuity Management	<u>Potential</u> sub risks include:- 01 – Censure through non compliance with the Civil Contingencies Act 02 – Not adequately recovering from the loss of major accommodation (eg secondary school, main offices), computer systems and staff 03 – Not able to respond to a major emergency in the community 04 – Fatal Accident Inquiries	19	12	1	4	6	<b>12/13:</b> It is considered by senior management that EP has been improved in terms of updating plans, liaison with the SCG, test exercises and debriefs and training, although the Council still has to finalise Rest Centre procedures. It is on the BCM front where slippage has occurred. Services were asked after New Year to complete a Business Impact Analysis (BIA) exercise which a lot responded to but we are still waiting for one service to submit their version. This will tell us where staff are located, what computer systems they use and where they could be located in an emergency. Several Building Recovery Plans are at the final stages of production. Risk appetite target date has been put back to 31.7.13.

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MC01-08 Corporate Change and Transition	<u>Potential</u> sub risks include:- 01 – Delays 02 – Cost creep 03 – Slow benefits realisation and budget savings 04 – Objectives of changes not actually met 05 – Adverse impact on services 06 – Staff morale affected 07 – Government step-in	18	19	3	4	12	<b>12/13:</b> The Business Transformation Programme Risk Register is managed in accordance with the Business Transformation Programme Risk Management Strategy. Council endorsed the revised Council Transformation Strategy on 14 May 2013 and progress against outcomes will be monitored and scrutinised through the Business Transformation Steering Group, Performance Review and Scrutiny Committee, and Special Cabinet. The Strategic Leadership Group is progressing the development of a 3 year plan to outline the plan of future transformation activity to help close the 2014/15 budget gap and deliver 2015/16 and 2016/17 savings. Both the endorsement of the Strategy and development of a 3 year plan will help mitigate the risk that the Transformation Programme fails to deliver. There are currently 11 identified programme risks with 34 associated actions. The risks evaluated as high probability continue to be addressed by the Board to mitigate the likelihood and potential impact on the programme.
MC01-09 Legal and Regulatory Compliance	<u>The potential sub risks include:-</u> 1. A local authority is bound by a plethora of legislation and government regulation: and 2. Ultra vires actions could transpire	12	12	1	4	6	<b>12/13:</b> This remains a MEDIUM risk meantime, as significant assurance is required across all aspects, e.g. in relation to protecting data. Work on the outstanding challenge of Payment Card Industry Standard (PCI) compliance is ongoing, as well as on compliance with Equalities legislation and Strategic Environmental Assessment. Draft report from Information Commissioner, following their audit, appears positive however final report awaited. There is a concern that not all significant pieces of new legislation are risk assessed. New Solicitor has joined team recently, providing and developing additional in-house expertise, particularly around social work legislation.

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MC01-11 Asset Condition – buildings, vehicles, computer, roads	<u>Potential</u> risks include insufficient budgets to make a serious impact on deterioration of assets; adverse legacy for the future. Limited funds to make a real difference. For example, in Roads Services there is a real risk of increased potholes and insurance claims, reduced skid resistance leading to higher accident potential and building up of higher costs in the future. In respect of vehicles, increased breakdowns, service failures, greater maintenance inevitable, higher short-term hire costs. In terms of property, health and safety issues arise, failure to meet current standards and higher running costs. There is also the risk of two-tier accommodation, some high quality, some low.	18	13	2	3	6	<b>12/13:</b> The risk continues to be managed for the foreseeable future as the Council balances risk against use of finite resources and investment across all assets. Examples are:– 1. HRA Capital Plan continues to pursue SHQS and the Social Housing Programme continues to provide extra housing. 2. Corporate IT Replacements of some £0.5m 3. £1.1m and £1.5m in lighting and roads upgrades respectively over the next few years 4. £2.4m in Waste Service vehicles over the next few years 5. £1.1m in Vehicle Replacement Programme over the next few years 6. £0.5m in the Snow Sports Centre 7. £0.6m in Stobhill Depot Upgrade 8. Some £16m in Primary Schools 9. £37m in Lasswade HS Replacement 10. Proposed replacement for Newbattle HS 11. £0.6m in Children's Centres 12. £3m in Penicuik Care Home Hub A downside is that there is still a lot more investment required in roads but this is a national problem with all Councils having issues with potholes and roads landslides. CMT being consulted on 18.2.13 as to whether there is sufficient investment/direction in place to lower the risk score to below 10.
MC01-12 Welfare Reform Bill	This is deemed to be a severe challenge for the Council and its citizens with specific risks identified in a report to CMT on 18.6.12 as follows: Insufficient Service Capacity, Reduced Revenues for Council and Organisational Change. There are sub-risks as well, all to be developed in the Project Risk	23	19	3	4	13	<b>12/13:</b> This will remain HIGH risk for the foreseeable future. Some of the legislative changes have now been implemented and we are starting to see the impact, particularly in non-payment of rent. The Scottish Welfare Fund has gone live, with administration of Crisis Grants and Community Care Grants now being carried out. Close monitoring is ongoing, to ensure that this service is adequately resourced, as early indications are that it is impacting negatively on other parts

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	<p>Management Plan. Normally, this risk would sit under risk MC01-09 but because of its high impact, it has been separated out.</p>						<p>of the Revenues and Contact Centre services. There continues to be uncertainty around other aspects of the Welfare Reform changes e.g. the introduction of Universal Credit, but it is acknowledged that these will have further significant impact, both of staff and customers. There will also be wider impact on the finances of the Council, through loss of Admin Grant, likely further increase in arrears and more difficulty in collecting all revenue, as well as the increased demand for advice, guidance and assistance.</p> <p>The cross divisional working group has been co-ordinating activity across the Council, as well as liaising closely with professional bodies, COSLA etc. but it is intended that this group meets less frequently in 2013/14.</p>