

Brief Headline Report on Corporate Risks

Report Type: Risks Report

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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	<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	18	12	1	4	6	Q4 14/15: The 2015-17 People Strategy is being completed. A successor Strategy is under development which will address the changed context that the People Risk will operate in moving forward: financial challenge, partnership working, Single Midlothian Plan, no compulsory redundancy policy, workforce planning, low pay agenda. The 2015 Employee Survey demonstrated that there is a continued focus needed on leadership vision and communication and the 'Great Place to grow road shows have been developed to enhance these organisational development strands. The current high level of Organisational restructuring, as part of cost reduction, also presents a challenge to employee engagement levels. The Enhanced VSER Scheme is also a strategy to mitigate the risk
MC01-02 Governance and Standards in Public	<u>Potential</u> sub risks include:- 01 Macro governance at the top – failure in openness, accountability, clarity;	18	12	1	4	6	Q4 14/15: A new International Framework of Good Governance in the Public Sector has been developed jointly between CIPFA and the

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Life	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						International Federation of Accountants and work is required in 2015/16 to ensure compliance against the new code. Testing by Internal Audit against the current code in 2014/15 has not raised any compliance issues. Risk remains as MEDIUM until the existing guide is brought into line with the new International Framework and compliance assessed.
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	6	2	3	6	Q4 14/15: Generally internal audit reviews have identified that controls are in place and are monitored by management in line with Financial Directives, Council Policy and the other key essentials of a robust Internal Control Environment. We have however identified a number of control failings in reviews undertaken in 2014/15 and therefore consider the current rating of moderate impact and medium likelihood should be retained.
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 – Poor collection performance in income streams 04 – Unforeseen commitments	14	18	2	4	6	Q4 2014/15: Financial Strategy update to Council on 16th December 2014 addressed budget shortfall for 15/16 and 16/17. Work ongoing to develop Delivering Excellence Programme.
MC01-06 Emergency Planning and Business Continuity	<u>Potential</u> sub risks include:- 01 – Censure through non compliance with the Civil Contingencies Act	19	12	1	4	6	Q4 14/15: A new Council Risk Register highlighting the potential civil contingencies risks and current/planned controls has been

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Management	<p>02 – Not adequately recovering from the loss of major accommodation (eg secondary school, main offices), computer systems and staff</p> <p>03 – Not able to respond to a major emergency in the community</p> <p>04 – Fatal Accident Inquiries</p>						prepared and shared with the Contingency Planning Group . The Contingencies Planning Officer is currently working in conjunction with Network Rail and other rail partners to arrange a suitable training and exercise event in advance of the opening of the new rail service through Midlothian. The Council continue to work with partner organisations on collaborative planning activities including Counter terrorism matters.
MC01–07 Corporate Policies and Strategies	<p><u>Potential</u> sub risks could include:-</p> <p>01. Policy may not be aligned to BV</p> <p>02. Policies may not match aspirations or corporate direction</p> <p>03. Policies may become out of date</p> <p>04. Policies not monitored and non compliance exists</p> <p>05. Strategy misaligned to policy; may not work</p>	14	6	1	3	6	Q4 14/15: Managers preparing policies need to demonstrate Best Value and alignment with Council aspirations and continued relevance/effectiveness of policies to meet the objectives and obligations on the Council. Internal Audit continue to test compliance and how up to date policies are through a risk based audit program.
MC01–08 Corporate Change and Transition	<p><u>Potential</u> sub risks include:-</p> <p>01 – Delays</p> <p>02 – Cost creep</p> <p>03 – Slow benefits realisation and budget savings</p> <p>04 – Objectives of changes not actually met</p> <p>05 – Adverse impact on services</p> <p>06 – Staff morale affected</p> <p>07 – Government step-in</p>	18	23	3	5	12	Q4 14/15: risk continues to be considered critical due to the significant reliance on the financial strategy and transformation approach to help secure financial sustainability. In order to help bridge the projected 17/18 budget shortfall December Council approved the development of a comprehensive service review approach, with a key focus on self evaluation, to supplement the existing programme of transformational activity. The approach will be presented to June Council for ratification and

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							implemented thereafter.
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	6	2	3	6	Q4 14/15: Legal and Regulatory compliance continues to be a HIGH risk across the organisation for a number of reasons. Significant assurance is required in relation to protecting data. The PSN compliance , included annual penetration testing has been completed successfully however the Council needs to maintain and support the measures and controls currently in place for PSN.
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	6	2	3	6	Q4 14/15: provisions in place in capital plan for investment in asset base. Work ongoing to further develop asset management plans and associated investment plans
MC01-12 Welfare	This is deemed to be a severe challenge for	23	19	3	4	6	Q 4 14/15: Collection will remain a HIGH risk

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Reform Act	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 Management Plan. Normally, this risk would sit under risk MC01-09 but because of its high impact, it has been separated out.						<p>for the foreseeable future due to welfare reform changes. Council Tax collection is up 0.3% on same period last year.</p> <p>This has been achieved due to quicker billing and recovery of Council Tax due, despite an increase in the amount due from an increase in the number of properties and a reduction in the level of Council Tax Reduction (Benefit) awarded. Rent arrears have reduced by 0.20% from same period last year through continued engagement with tenants regarding arrears and promotion of discretionary housing payments from increased budget from Scottish Government funding.</p>