

Risk Management, Update for 1 January 2014 – 31 March 2014

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to provide the Audit Committee with the 2013/14 quarter 4 update, following review by Service Managers and Heads of Service.

2 Background

CORPORATE RISKS

2.1 Audit Committee have requested regular reporting on the Council's Corporate Risks and a headline report is attached for information.

At the beginning of 2013/14, the profile of Corporate Risks facing the Council were as shown below:

Very low	Low	Medium	High	Critical	Total
0	1	6	4	0	11

2.2 The current headline report indicates the highest risks facing the Council at this time are recorded as:

- Corporate Change and Transition
- Balancing Budgets in future years/Impact of Budget Cuts/Financial Strength of Council
- Legal and Regulatory Compliance
- Welfare Reform Act

The corporate risk profile at the end of quarter 4 is shown in the table below, with one High risk escalated to Critical risk and 3 medium risks reduces to low risk.

Very low	Low	Medium	High	Critical	Total
0	4	3	3	1	11

CRITICAL & HIGH CORPORATE RISKS

2.4 Corporate Change and Transition

The Council approved the Financial Strategy 2015-16 - 2016/17 incorporating the Council Transformation Delivery Plan 2014/17 in February.

Sponsors and Leads have been appointed to Transformation Projects with Finance and Transformation support aligned. Project Definition Documents are being developed by Project Leads, for approval at the May meeting of the Business Transformation Board, with an early assessment of financial savings target being made by Project Sponsors. An overall assessment of the Financial Strategy savings target will be progressed by the Finance Manager and Transformation Manager.

This corporate risk remains 'critical' until the Council can demonstrate through implementation that the Financial Strategy is delivering transformation change and planned savings to secure financial stability.

2.5 Balancing Budgets in future years/Impact of Budget Cuts/Financial Strength of Council

The Financial Strategy and Council Strategy was agreed by the Council on 4 February 2014.

2.6 Legal and Regulatory Compliance

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 and an immense amount of work continues in relation to maintaining our Code of Connection with the Public Sector Network (PSN, formerly GSX), to meet the new "zero tolerance" approach imposed by the Cabinet Office. Recent penetration testing highlighted further issues which are now being addressed, however timescales are extremely tight to meet the transition date deadline of 22 May 2014.

Payment Card Industry (PCI) compliance also continues to be an issue which is being addressed but causes some concerns. Work includes software upgrades and additional security restrictions for users, however we are not yet fully compliant.

Separately, there still remains some concern that not all significant pieces of new legislation are adequately risk assessed. It is known, for example, that new European legislation around data security will impose significant additional burdens when it is implemented. Planning and action will be required well in advance of this, to ensure that we comply.

On a positive note, the Information Commissioners Office provided positive feedback, confirming that they are satisfied with the progress against the improvement plan after their 2013 audit.

2.7 Welfare Reform Act

Collection levels on Council Tax remain down year on year, in line with other authorities, which reflects the economic position and the vast external pressures faced by our taxpayers/debtors. We continue to measure service improvements in the performance of the Sheriff Officer, as well as lower costs resulting from the new contract arrangements.

The rent arrears trend has steadily increased across the year as expected following the implementation of the under-occupancy charge (bedroom tax) and this challenge will continue to be further compounded as other welfare reform measures are introduced. This is an area of significant concern to the Council's income. Crisis Grants and Community Care Grants (CS/CCG) are administered by the Revenues team and is a priority task, with the impact of demand evident in other areas of Revenues and the Contact Centre. Although Universal Credit changes are further delayed until 2016, we anticipate that there will be a further negative impact when these take effect.

The loss of benefit income resulting from Welfare Reform and the changes in housing benefit, together with the additional cost impacts of the transfer of duties to the Council continue to result in demands being placed on the Council which will have a negative effect on the sustainability of the local economy without further mitigation. As a result, the increasing level of arrears will have an impact on the future years HRA rent and investment strategy.

Proposals were presented separately to Cabinet in April 2014 which will see the number of bed spaces being used reduced significantly to improve accommodation options for homeless applicants and avoid spend for the Council.

3 Report Implications

3.1 Resource

There are no direct resource implications in this report although individual risks will have associated resource implications which are considered within the Risk Registers.

3.2 Risk

Corporate Risks are generally those that impact on all parts of the Council. It appears that the presence of risk is understood and action is being taken to manage risk downward to acceptable levels, even if this is going to take a while through gradual, but well-planned steps.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

3.4 Impact on Performance and Outcomes

The purpose of the council's risk management approach is to support the organisation to deliver on its key outcomes by highlighting and taking steps to mitigate potential disruption to delivery of services.

3.5 Adopting a Preventative Approach

The Risk Management approach being taken by the Council is founded on a preventative approach to managing risks.

3.6 Involving Communities and Other Stakeholders

Consultation has taken place with Senior Managers in charge of the corporate risks.

3.7 Ensuring Equalities

There are no direct equalities issues arising from this report.

3.8 Supporting Sustainable Development

Senior Managers must ensure the sustainability of the Council, which entails identifying, understanding and managing Corporate Risks.

3.9 IT Issues

No additional issues other than those relating to the Risk Register.

4 Recommendation

Audit Committee is invited to:

Note the 13/14 Quarter 4 report on Corporate Risks and consider the current response to these risks

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Report Contact:

Chris Lawson, Risk, Safety & Civil Contingencies Manager

Tel No: 3069

chris.lawson@midlothian.gov.uk

Background Papers: Headline Report