Risk Management, Update for 1 January 2020 – 30 June 2020

Report by Chris Lawson, Service Manager – Waste, Risk & Resilience

Report for Information

1   Recommendations

Audit Committee is recommended to:

Note the quarter 4 2019/20 and quarter 1 2020/21 Strategic Risk Profile report and consider the response to the issues, risks and opportunities highlighted for the period covered.

2   Purpose of Report/Executive Summary

Audit Committee has requested regular reporting on the Council's Strategic Risks. The Strategic Risk Profile seeks to provide a strategic look at the current issues, future risk and opportunities facing the Council.

The purpose of this report is to provide Audit Committee with the 2019/20 quarter 4 and 2020/21 quarter 1 strategic risk management update, covering the period 1 January 2020 to 30 June 2020.

Date 28 September 2020

Report Contact:
Chris Lawson, Service Manager – Waste, Risk and Resilience
Tel No: 0131-271-3069
chris.lawson@midlothian.gov.uk

3 Background/Main Body of Report

3.1 Midlothian Council went into quarter 4 of 2019/20 with the most significant issues facing the Council associated with the change programme and financial sustainability. Details of the risk responses associated with these are contained in Appendix B1 covering quarter 4 2019/20 and appendix B2 covering quarter 1 2020/21.

During January 2020 the global understanding of a new virus was developing following an outbreak in Wuhan China. The UK Government began introducing travel restrictions from Wuhan in China. Through February cases were being reported around the world with a major outbreak reported in Italy. The UK started seeing the first confirmed cases of COVID-19 in the UK at this time. In response to the developing situation Midlothian Council began reviewing arrangements across services in anticipation of a potential escalation of cases within the UK.

The number of COVID cases rose sharply through March 2020 with a corresponding number of associated deaths in the UK. In response CMT established a Council Incident Management Team (CIMT) to co-ordinate local response to national guidance and local need. CIMT took steps to protect potentially vulnerable employees and moved services on to critical services in response to the UK lockdown on 24 March 2020.

The shift in focus during the second half of quarter 4 2019/20 and through quarter 1 2020/21 to respond to the Pandemic has resulted in a range of impacts. The Strategic risk register seeks to capture the strategic risk including the impacts and response arising from COVID-19.

The Council's strong focus on risk management, particularly in terms of health and safety management has directly supported the process of local level response at a team level, supporting the need for rapid responses to the changing national guidance throughout this period.

The update report on the Council financial position was presented to Council on 25 June 2020. The quarter 1 monitoring report included an update on the impact of the pandemic against the planned change programme and on income generating activities.

Against this backdrop the UK stopped being a member of the European Union at 23:00 on 31 January 2020. The UK is now in a transition period up to, but not beyond, the 31 December 2020; as the UK Government have legislated not to extend the transition period beyond this point. In the period between 31 January 2020 and 31 December 2020 the UK government are negotiating the future relationship with the European Union (EU) including trade arrangements. There remains a risk of significant change from the current established approaches in many areas. The Council will therefore continue to monitor progress by the UK Government and where necessary will develop suitable approaches to reflect the new settlement position at the end of 2020.

The Council's EU Exit Working Group has been reconvened to enable suitable planning to take place in response the new relationship with the EU and any changes which may impact services or supplies. Midlothian Council are working with partners including CoSLA to monitor developments in this area.

The on-going risk associated with financial stability and balancing the budget in future years remains, with the medium term financial plan seen as the tool to put the Council's finances on a more stable footing.

Spending within budget will continue to be closely monitored through the Business Transformation Steering Group with steps taken to realign spend where its identified as being off target.

The highest rated issues at Q4 and Q1 respectively were COVID 19, Financial stability and the Change Programme.

The highest rated risks set out within the strategic risk profile at quarter 4 and 1 were associated with the 'Early Years expansion', the 'abuse claims project' the 'Scottish abuse inquiry', Asset Management and the Long term change programme.

Midlothian Council is a key partner within the Midlothian Integration Joint Board (MIJB). The Strategic risks relating to the MIJB are reported to the MIJB Audit and Risk Committee as part of its own governance arrangements, details of which can be found on Midlothian Council's website.

3.2 Strategic Risk Profile Summary

The Top Strategic Issues are summarised in table 1.

Top Issues	Likelihood	Impact	Score	Evaluation	
COVID 19	5	5	25	Critical	
Financial Stability	5	4	12	High	
The Change Programme	4	4	16	High	

The Strategic Risks for the Council are summarised in tabled 2 below.

Strategic Risks	Likelihood	Impact	Score	Evaluation	
Early Years Expansion (1140 Hours)	4	5	20	HIgh	
Scottish Child Abuse Inquiry	5	4	20	High	
Scottish Child Abuse Claims Project	4	5	20	High	
Asset management	4	5	20	High	
The Longer Term Change Programme	4	4	16	High	
Information Security	3	5	15	Medium	
Cyber Security	3	5	15	Medium	
Health and Safety	3	5	15	Medium	
Financial Sustainability in future years	3	4	12	Medium	

Strategic Risks	Likelihood	Impact	Score	Evaluation	
Growing Council	3	4	12	Medium	⚠️
Care at Home	3	4	12	Medium	⚠️
UK decision to leave the EU	3	4	12	Medium	⚠️
Governance and standards	3	4	12	Medium	⚠️
Employee performance	3	4	12	Medium	⚠️
Emergency planning and business continuity	3	4	12	Medium	⚠️
Climate change	3	3	9	Medium	⚠️
Legal and regulatory compliance	3	3	9	Medium	⚠️
Working with other to deliver outcomes	3	3	9	Medium	⚠️
Internal control environment	3	3	9	Medium	⚠️
Corporate policies and strategies	2	3	6	Low	✅

The Strategic Opportunities for the Council are summarised in table 3.

Strategic Opportunities	Likelihood	Impact	Score	Evaluation	
City deal	5	5	25	Critical	🔴
Growing Council	5	5	25	Critical	🔴
Creating a World Class Education System	4	5	20	High	🟠
Shawfair	5	4	20	High	🟠
Borders rail	5	4	20	High	🟠
Easter Bush – Penicuik	5	4	20	High	🟠

3.3 STRATEGIC ISSUES – RATED CRITICAL AND HIGH

3.3.1 COVID 19

Midlothian Council responded to the developing situation relating to COVID 19 during quarter 4 2019/20 and quarter 1 2020/21. Response to the Pandemic included implementing social distancing measures in workplaces and for services users as services re-opened following lockdown during June, planning for potential increased mortality rate, delivering services to clients with COVID 19, deploying remote working to a significant number of employees, re-deployment of employees to focus on delivery of critical services, support those who were directed to shield and provide hub facilities from the point schools closed as directed by the Scottish Government.

3.3.2 Financial Stability

Council approved the 2020/21 budget as part of the MTFS on 11 Feb 2020. The cross party Business Transformation Steering Group continues to lead on the next phase of development of the Medium Term Financial Strategy, namely to identify measures to address the remaining budget gaps for 2021/22 and 2022/23.

3.3.3 The Change Programme
Monitoring the oversight of the Change Programme is delivered through dashboard reporting prepared by each Chief Officer/Head of Service and reported (6 weekly) to the Business Transformation Board. This is in addition to continued quarterly financial reporting by Financial Services.

3.4 STRATEGIC RISKS – RATED CRITICAL/HIGH

3.4.1 Financial sustainability in future years
Council approved the 2020/21 budget as part of the MTFS on 11 Feb 2020. The cross party Business Transformation Steering Group continues to lead on the next phase of development of the Medium Term Financial Strategy, namely to identify measures to address the remaining budget gaps for 2021/22 and 2022/23.

3.4.2 Growing Council
Midlothian Council was identified in 2018 as the fastest growing Council in Scotland with a projected population growth of 26% between 2014 - 2039. This would see the population of Midlothian grow from 86,220 – 108,369 by 2039. The growth is expected to see the 0-15 population increase by 20%. The fastest rate increase is expected in the 75+ population with a projected 106% increase between 2014 and 2039. Failure to resource and plan for these rises will significantly impact the Councils ability to fulfil its statutory obligations in relation to these groups.

Capacity available in school as a result of the rising population is causing a risk. The school estate capacity report and pupil intake limit report was presented to council on 12 November 2019. The updated Capital Investment Strategy, of which the learning estate forms part of, was reported to February Council 2020. The multi-disciplinary group were meeting fortnightly to identify and address potential barriers to delivery of building work associated with 1140 hrs and wider service school estate needs.

While COVID had resulted in an impact on the property sector during lockdown, the Scottish governments' phased plan for the construction sector has seen house building re-start.

3.4.3 Asset Management
This risk reflects the challenges managing the need for increased assets to meet the growth demand against the current financial backdrop of reducing revenue. The Capital and Asset Management Board is putting in place interventions to allow it to more robustly monitor the of capital projects with a value of more than £1m, recognising that slippage in the capital programme weakens the overall financial management.

3.4.4 Scottish child abuse inquiry and Scottish child abuse Claims

The Council have an Abuse Inquiry Project Team and a Claims Project Team to support the Council to prepare for information requests to support the Inquiry and in preparation of any claims that may arise.

SOLAR and COSLA have been in discussion with CELCIS who undertook consultation and engagement with victims/survivors of abuse. The outcome of which has resulted in a recommendation being made to Scottish Government to commit to establishing a financial compensation/redress schemes for victims/survivors.
Whilst the implementation of such a scheme may still be some way off, this may mitigate some of the financial risks that the Local Authority was potentially facing.

3.4.5 Cyber Security

Digital Services were in a good position at the start of lockdown having a number of secure (UK government approved) remote working solutions that could be scaled to meet service requirements. Business continuity plans facilitated the deployment of hundreds of additional laptops, smartphones and home PC access. Video conferencing solutions such as Zoom, WhatsApp, Vscene and Microsoft teams were also deployed to maintain secure communication and keep staff safe while responding to the public health emergency.

During this reporting period, new guidance was rapidly produced to support secure remote working and privacy impact assessments were conducted to manage the GDPR risks of new processes and activities during the pandemic. Despite the challenges, in May the Council received PSN security certification from the Cabinet Office and the Councils Information Management Group continued to meet fortnightly to ensure security and data protection risks were minimised.

Remote working has undoubtedly introduced new risks as systems and data are accessed remotely. This can increase the risk of data breaches and cyber-attack through ransomware, phishing and hacking. Further work is planned to try and mitigate these risks further.

Remote Access Summary

Devices	Pre-COVID19 Deployment	COVID19 Response Deployment	Totals
Laptops	1340	375	1715
Smartphones	947	100	1047
Home PC Access	0	240	240
Staff with remote access	2287	715	3002

3.4.6 Early Years Expansion (1140 Hours)

Following the Scottish Government's decision to increase the number of free early learning and childcare hours to 1140 from August 2020 the council has commenced preparations with its partners. The two key strands to the successful implementation are the recruitment and training of staff and the physical increase in capacity. These challenges

are being considered in the wider context of the plan, in which the capacity and expansion of all funded providers (council, private and voluntary settings as well as childminders) combine to deliver the requirements.

Capacity available in school as a result of the rising population is causing a risk.

The school estate capacity report and pupil intake limit report was presented to council on 12 November 2019. In addition the updated learning estate strategy, forming part of the Capital Investment Strategy was report to February Council. The multi-disciplinary group are meeting regularly to identify and address potential barriers to delivery of building work associated with 1140 hrs and wider service school estate needs.

3.4.7 The Longer Term Change Programme

The strands of work that will continue to be necessary to address the projected budget shortfalls in the medium term, encompassing:-

- Business Transformation Board;
- The Delivering Excellence programme;
- The Transformation Programme;
- The EWiM programme;
- An updated Capital Strategy and Reserves Strategy; and
- Operational savings encompassing financial discipline measures.

3.5 STRATEGIC OPPORTUNITIES

3.5.1 City Deal

South East Scotland Region City Deal - bid for funding to Scottish and UK Governments to accelerate economic growth through investment in infrastructure/ housing/ skills and innovation was agreed by Council in June 2018.

3.5.2 Fastest Growing Council

Midlothian Council has been identified in 2018 as not only the fastest growing Council in Scotland in recent years, but projections show it will remain so, possibly for a further ten years.

This brings the opportunity to support the Council vision of being 'A Great Place to Grow'. As a growing Council this brings the opportunity to redevelop parts of Midlothian, improve infrastructure with a focus on area targeting, improving economic opportunities, improving education and health outcome.

This growth creates the opportunity to meet the housing need with 25% of new homes being built in the affordable housing sector, in addition to the expansion in Council House building. This construction will directly support employment in construction and will see a steady increase in the volume of Council tax received over time.

3.5.3 Creating a world Class Education System

The Centres of Excellence model is a core part of the Council's strategy to create a world-class education system in Midlothian. Funding has been approved by Scottish government to create a STEM centre of excellence as a replacement for Beeslack High school.

Research is being carried with the University of Edinburgh to establish the impact of new school buildings on educational attainment.

3.5.4 Shawfair
The Shawfair development with its new Rail link provides a major incentive for house builders, employers' retail and commercial interests including opportunities to secure a low carbon community through district heating from Zero Waste.

3.5.5 Borders Rail
Regeneration of priority communities of Midlothian through which the railway passes.

The line provides ready access to education/training at Edinburgh College, Borders College and Queen Margaret University with improved access to the labour markets in Edinburgh and the Borders. Also an opportunity to encourage sustainable travel by residents of major new housing developments in the rail corridor.
Ensuring Midlothian secures appropriate levels of Blueprint funding from the multi-agency Borders Rail 'Blueprint' funding group.

3.5.6 Easter Bush
Fast growing opportunities in Science Technology Engineering and Mathematics (STEM) with opportunities to link with education. Partnership links to schools and university sector at the 'Bush' to promote STEM.

4 Report Implications (Resource, Digital, Risk and Equalities)

4.1 Resource

There are no direct resource implications indicated in this report, although, individual risks have associated resource implications.

4.2 Digital

None

4.3 Risk

The Strategic Risk Profile seeks to articulate the significant issues, risks and opportunities facing the Council at a specific point in time. The Risks reported are generally those that impact on all parts of the Council and the strategic priorities of the Council. It appears that the presence of risk is understood and action is being taken to manage and respond to risk on an ongoing basis by officers.

The risks referred to in this report are set out within the Council's Strategic Risk Profile, attached as Appendix 1 and Appendix 2.

4.4   Ensuring Equalities

There are no direct equalities issues arising from this report.

4.5   Additional Report Implications

Appendix A – Additional Report Implications
Appendix B1 – Strategic Risk Profile Quarter 4 2019/20
Appendix B2 – Strategic Risk Profile Quarter 1 2020/21

APPENDIX A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan

This report provides an overview of the Strategic Risk profile of Midlothian Council at a defined point in time. The issues, risks and opportunities affecting or supporting delivery of the council priorities are set out within the Strategic risk profile in Appendix B.

A.2 Key Drivers for Change

Key drivers addressed in this report:

☐ Holistic Working
☐ Hub and Spoke
☐ Modern
☐ Sustainable
☐ Transformational
☐ Preventative
☐ Asset-based
☐ Continuous Improvement
☐ One size fits one
☒ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☒ One Council Working with you, for you
☐ Preventative and Sustainable
☐ Efficient and Modern
☐ Innovative and Ambitious

A.4 Delivering Best Value

The Council's commitment to best value and securing continuous improvement can best be delivered when decisions are made against a backdrop of understanding the risks and opportunities before an organisation. This report seeks to provide an overview of the Strategic Issues, Risks and Opportunities before the Council to inform current and future decision making.

A.5 Involving Communities and Other Stakeholders

This Strategic Risk Profile report has been compile with input from a range of internal key stakeholders.

A.6   Impact on Performance and Outcomes

This report seeks to provide an overview of the Strategic Issues, Risks and Opportunities before the Council to inform current and future decision making, with the intention of enhancing decision making and the associated performance and outcomes which flow from well informed decision making.

A.7   Adopting a Preventative Approach

The Risk Management approach being taken by the Council is founded on a preventative approach to managing risks, where appropriate and more generally to decision making with far greater risk awareness.

A.8   Supporting Sustainable Development

Senior Managers must ensure the sustainability of the Council, which entails identifying, understanding and managing Strategic and Service level Issues, Risks and Opportunities.