

Risk Management, Update for 1 October 2014 – 31 December 2014

Report by Chris Lawson, Risk, Safety and Civil Contingencies Manager

1 Purpose of Report

The purpose of this report is to provide the Audit Committee with the 2014/15 quarter 3 update, which has been reviewed 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, a headline report is attached as Appendix 1 for information.

At the beginning of 2014/15 the profile of Corporate Risks facing the Council were, as shown in the table below:

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

- 2.2** The current headline report, attached as appendix 1, indicates the highest risks facing the Council at this time are:
- Corporate Change and Transition
 - Balancing Budgets in future years, including the Impact of Budget Reductions and the Financial Strength of Council
 - Welfare Reform Act

The corporate risk profile at the end of quarter 3 is shown in the table below, with one Critical risk, 2 High risks, 3 medium risks and 6 risks rated as low risk.

In Year Change	Very low	Low	Medium	High	Critical	Total
	0	6	3	2	1	12
	0	+2	0	-1	0	

CRITICAL & HIGH CORPORATE RISKS

2.4 Corporate Change and Transition

The Council's current financial strategy sets out the plan for delivery of efficiencies, over the next 3 years period. December Council considered the financial strategy update report by the Head of Finance and Integrated Services Support and endorsed a comprehensive service review approach to address the projected budget shortfall for 17/18 and deliver service improvements.

This risk impact continues to be considered critical due to the significant reliance on the financial strategy and transformation approach to secure financial sustainability. It is essential to prioritise resources effectively to focus on the delivery of the Council's priority outcomes and deliver improved services that meet customer expectations.

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 in line with the timescales as set out in the December Financial Strategy report.

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

Financial Strategy update to Council on 16th December 2014 addressed budget shortfall for 15/16 and 16/17.

2.6 Welfare Reform Act

Revenues collection will remain a high risk for the foreseeable future due to welfare reform changes. Council Tax collection is up 0.5% on same period last year. This has been achieved due to prompt 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.

Processing is an area of risk, in view of significant increase in workload from legislative changes and continued responsibilities for Scottish Welfare fund. Local Authority error rate below lower threshold leading to additional subsidy payment for 2014/15. Recruitment completed of 4 new Trainee Revenues Officers in July 2014. Universal Credit due to be implemented from 25 April 2015 for single claimants on income-based Jobseekers Allowance only.

There continues to be a lot of uncertainty with the introduction of Universal Credit for single claimants on income-based Jobseekers Allowance from 27 April 2015. More detail of migration of other cases

to UC still to be provided, however it is known that this will have a significant effect both on staff and customers, as well as the wider impact on the finances of the Council, through loss of Admin Grant, likely increase in arrears, more difficulty in collecting all revenue etc.

2.7 Service Risks

Service Risk Registers have been updated during quarter 3 to allow reporting on risk by managers and Head of Service. Further work is being carried out with Service Managers to ensure the registers remain reflective of the risk environment facing the Council.

The critical and high risks facing the Council's Services currently are:

- Meeting growing demands with constrained /reduced budgets
- Revenues - collection performance and collection levels across all income streams
- Revenues - Ensuring longer term arrangement for Non Domestic Rates
- Revenues - provide an effective benefits service, with improved processing times and fit for purpose in a modern environment
- Revenues - Legislative changes, inc Welfare Reform Act
- Financial- Not achieving balanced and sustainable budget
- Legal risks
- IT - limited staffing resources to meet the IT demands of the Council/
- IT - Compliance - Regulatory, Contractual and Legal
- IT - Computer Business Continuity Management
- Communications and Marketing - Risk of website being unavailable and/or inaccurate
- Recovery of Service after Major Incident
- Project - Business Transformation Programme Risks
- Business Transformation Project - Integrated Service Support
- Business Transformation Project - Customer Service

A report providing more detailed information is attached as appendix 2.

2.8 Risk Management Development

The Risk, Safety and Civil Contingencies Manager has reconvened the Corporate Risk Management Group with each of the new Services providing a Service Manager to attend as Service Risk Management Champions.

The group initial focus has been to ensure Service Risk Registers are updated. Work been undertaken to realign the Service Risk Registers to the new organisational structure. The revised risk rating model presented to Audit Committee as part of the Council's revised Risk Management Policy will be applied to the newly formed registers during Q4.

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 on an ongoing basis.

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 authority 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 where appropriate.

3.6 Involving Communities and Other Stakeholders

Consultation has taken place with Senior Managers responsible for corporate risk management.

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 Recommendations

Audit Committee is invited to:

Note the 14/15 quarter 3 report on Corporate Risks and consider the current response to the risks highlighted.

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Background Papers:

Appendix 1 Headline Report

Appendix 2 Service Report on Critical & High Risks