

Risk Management, Update for 1 October 2017 – 31 December 2017

Report by Chris Lawson, Risk Manager

1 Purpose of Report

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 2017/18 quarter 3 strategic risk management update, covering the period 1 October 2017 to 31 December 2017.

2 Background

Midlothian Council is operating in an increasingly demanding environment. Councillors face major challenges from continued reductions in the funding from the Scottish Government, and greater demands for services from an ageing population and, growing school age population.

Against this backdrop the Council needs to respond effectively to national policy priorities in the Scottish Government's Programme for Government and, along with partners, needs to demonstrate progress in integrating health and social care and in meeting the requirements of the Community Empowerment Act.

2.1 Strategic Risk Profile update

The on-going risk associated with financial stability and balancing the budget in future years remains, with the change programme becoming the most significant factor in seeking to identify and deliver on the reduction in expenditure and increased income generation needed to get the Council to a balanced budget position in future years.

2.2 The Scottish Government published the new Education (Scotland) Bill 2017 on 7 November which makes further changes to the education landscape ahead.

2.3 Following the UK decision to leave the European Union the Council were advised of some of the potential impacts in a report taken to Council on 29 August 2017 with a focus on EU funding, broader economic impacts, societal, environmental and regulatory issues.

2.4 Strategic Risk Profile Summary

The Top Strategic Issues are summarised in table 1.

Top Issues	Likelihood	Impact	Score	Evaluation	
Financial Stability	5	4	20	High	
Welfare Reform	5	4	20	High	

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

Strategic Risks	Likelihood	Impact	Score	Evaluation	
Fastest Growing Council	4	5	20	High	
Scottish Abuse Inquiry	5	4	20	High	
Historic Abuse Claims Project	4	5	20	High	
Balancing budget in future years	4	4	16	High	
The Change Programme	4	4	16	High	
Review of Pay and Grading	4	4	16	High	
Climate change	4	4	16	High	
Information Security	3	5	15	Medium	
Health and Safety	3	5	15	Medium	
Political uncertainty – Education Governance Review	3	4	12	Medium	
Integration of health and social care	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	
Legal and regulatory compliance	3	3	9	Medium	
Working with other to deliver outcomes	3	3	9	Medium	
Asset management	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	
Growing Council	5	5	25	Critical	
Shawfair	5	4	20	High	
Borders rail	5	4	20	High	
Easter Bush - Penicuik	5	4	20	High	
City deal	3	5	15	Medium	

2.6 STRATEGIC ISSUES – RATED CRITICAL AND HIGH

2.6.1 Financial Stability

The financial stability issue facing the Council has been re-assessed following the decision by the Council on 13 February 2018 passing a balanced budget for 2018/19. In addition to this, steps have been taken placing a moratorium on non-essential spend through the remainder of 2017/18. This issue has been re-assessed as medium risk, given the balanced budget approved also enabled a return to be planned for in reserves.

2.6.2 The Change Programme

The strands of work necessary to address the projected budget shortfalls represent a change programme, encompassing:-

- Business Transformation Steering Group;
- The Delivering Excellence programme;
- The delivery of savings approved for 2017/18; and the continued control over expenditure;
- The Transformation Programme;
- The EWiM programme;
- An updated Capital Strategy and Reserves Strategy;
- Operational savings encompassing financial discipline measures;
- The development of further savings options for 2018/19 and beyond.

2.6.3 Welfare Reform

Universal Credit Full Service was rolled out in Midlothian on 22 March 2017. The Universal Credit Programme closed gateways for legacy benefits, so existing benefits are no longer eligible as Universal Credit rolls out and there are plans for the migration of those remaining claimants on current benefit types once the digital rollout is complete for all of Great Britain. Awareness, advice and assistance is being provided by the Council.

2.7 STRATEGIC RISKS – RATED CRITICAL/HIGH

2.7.1 Balancing budget in future years

The Council's Financial Strategies core objective is to secure the Council's continued financial sustainability during what is and will continue to be an extended period of significant financial constraint, coupled with increasing service demands and increasing customer expectations.

In order to ensure the Services provided meet the needs of service users and are as efficient as possible the Council are implementing a Change Programme, incorporating the Delivering Excellence framework for service review and redesign. This approach is expected

to bring forward savings options in addition to ensuring service user needs are achieved.

A report setting out future budget savings was presented to Council on 13 February 2018, where the Council passed a balanced budget. This risk has been re-assessed and is now considered a high risk down from the previous critical risk rating.

2.7.2 Fastest growing Council

Midlothian Council has been identified by the Scottish Government 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.

To plan for the impact this growth will have on the school estate, Education have developed a Learning Estate Strategy to address the expected pressures from this and other known Government policies which will impact on capacity requirements within schools.

2.7.3 Scottish abuse inquiry and Abuse Claims

On 1st October 2016 the Scottish Government set up the Scottish Child Abuse Inquiry. The inquiry will report back to Scottish Government Ministers within 4 years with recommendations for the future to improve the law, policies and practices in Scotland.

The Council have set up 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.

The Claims Project has been added to the Strategic Risk Profile report as a Risk in its own right as there does not have to be an association with the Scottish Abuse Inquiry for a civil claim to be made, the period which claims can be made now extends back to 1964, creating scope for historic claims.

The Claims Project Team have put in place a process for dealing with potential historic child abuse claims.

A communications plan and training plan are in place. A web page is available to provide information on the Limitation (Childhood Abuse) (Scotland) Act 2017 and guidance for childhood abuse survivors on claiming compensation. A report will go to Council in March 2018 to provide an update to Elected Members on how Midlothian Council will manage any claim.

2.7.4 Review of pay and grading

During 2016 Midlothian Council made an investment of £2.67million to reduce in-work poverty. While enabling the Council to achieve a position where all employees were paid at or above the national living wage,

there was a desire to secure improvements in flexibility, productivity and service quality as a result of this investment.

While the employee grades, terms and conditions altered by these changes have now taken place. The risk to the Council is that following this substantial investment it does not realise the return in improved productivity and or flexibility across the workforce. The impact of pay and grading review is being kept under review by the Investing in our Workforce Project Board, with a focus on securing the gains.

2.7.5 The 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 Steering Group;
- The Delivering Excellence programme;
- The Transformation Programme;
- The EWiM programme;
- An updated Capital Strategy and Reserves Strategy;
- Operational savings encompassing financial discipline measures;
- The development of further savings options for 2018/19 and beyond.

2.7.6 Climate change

There is a risk that Council Services are not adequately engaged, resourced or directed to fulfil the requirements of the Climate Change Act. This could result in the Council failing to meet its obligation under the Climate Change (Scotland) Act 2009 and incurring the associated reputational damage.

2.8 STRATEGIC OPPORTUNITIES

2.8.1 Shawfair

The Shawfair development with its new rail link provides a major incentive for house builders, employers, retailers and commercial interests; including opportunities to secure a low carbon community through a district heating scheme from the Zero Waste facility.

2.8.2 Borders Rail

The Borders Rail provides the opportunity to support the 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. The Railway has also acted as a catalyst for housing growth in Midlothian.

2.8.3 Easter Bush

Easter Bush offers fast growing opportunities in Science Technology Engineering and Mathematics (STEM), with opportunities to link directly with Education. Maximising partnership links between schools the University sector and the Bush will all support STEM opportunities.

2.8.4 City Deal

Midlothian Council is part of the South East Scotland Region City Deal bid for funding to Scottish and UK Governments.

The purpose of which is to support the acceleration of economic growth through investment in infrastructure/ housing/ skills and innovation.

Midlothian Council and our city deal partners have received confirmation from UK Government and Scottish Government Officials on a £600m city deal for Edinburgh and South East Scotland.

2.8.5 Fastest Growing Council

Midlothian Council has been identified as the fastest growing Council in Scotland. This brings the opportunity to support the Council vision of being 'A Great Place to Grow'. As a growing Council the Council has the opportunity to influence the future develop of Midlothian and associated infrastructure, with a focus on area targeting, improving economic opportunities, improving education and health outcomes.

3 Report Implications

3.1 Resource

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

3.2 Risk

The Strategic Risk Profile seeks to articulate the significant risks 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.

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 a level of risk awareness, to inform decision making and support the Council 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 and more generally to decision making with far greater risk awareness.

3.6 Involving Communities and Other Stakeholders

Consultation has taken place with Senior Managers responsible for leading responses to key Strategic Issues, Risk and Opportunities.

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 Strategic and Service level Issues, Risks and Opportunities.

3.9 IT Issues

No additional issues other than those relating to the Strategic Risk Profile.

4 Recommendations

Audit Committee is invited to:

Note the quarter 3 2017/18 Strategic Risk Profile report and consider the current response to the issues, risks and opportunities highlighted.

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Background Papers: **Appendix 1** Strategic Risks Profile
Quarter 3 2017/18