

## **Risk Management Update, Quarter 1 2021/22**

**Report by Derek Oliver, Chief Officer - Place**

**Report for Information**

### **1 Recommendations**

Audit Committee is recommended to:

- Note the current risk landscape and organisational response to the most significant risks in Quarter 1 2021/22.

### **2 Purpose of Report/Executive Summary**

The purpose of this report is to provide Audit Committee with an update on the risk responses Midlothian Council has implemented during Quarter 1 2021/22 to respond to the current risk climate; and to provide assurance that Midlothian Council took a proportionate and planned approach to prepare and respond to each of the identified risks.

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### **3 Q1 Risk Management overview**

#### **3.1** Midlothian Council has delivered a wide range of services to the people of Midlothian throughout Quarter 1 2021/22 against a backdrop of operating within a series of government directed constraints and transition through Protection Levels, associated with responding to a global pandemic.

As the Council has responded and recovered to the pandemic, it became apparent that the public sector faced a new challenge in Quarter 1.

There were two significant factors which had the potential to interplay over Quarter 1. These were the concurrent risks of:

- COVID 19
- UK Exit from the EU

In addition to these new risks, the Council continued to manage and review those risks recorded within the Strategic Risk Profile. The work required to maintain the necessary Corporate oversight over the broader strategic landscape continues.

#### **3.2 UK Exit from EU**

The Council's EU Exit Working Group had been reconvened by the Chief Officer Place in Quarter 1 2020/21 to enable suitable planning to take place in response the emerging new relationship with the EU and any changes which had the potential to impact services or supplies.

With information from Government limited, there was negligible impact being experienced or indeed attributed to the EU Exit whilst the country was responding and recovering from the pandemic. Despite this, the internal group continues to meet to support assessment of the impacts leaving the EU has created and to identify appropriate organisational responses. Quarter 1 2021/22 saw forecasts of workforce and supply chain issues but they were not yet experienced locally by the Council. With the likelihood and impacts that these would have on Council operations increasing, the risk evaluation of EU Exit has risen from Low Risk in Q4 2020/21 to Medium Risk in Quarter 1 2021/22.

#### **3.3 Strategic Risk Profile update**

The on-going risk associated with financial stability and balancing the budget in future years remains, with the medium term financial plan demonstrating the Council's financial stability.




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 risks set out within the strategic risk profile at quarter 3 are associated with the 'Early Years expansion', the 'Scottish abuse inquiry'





















and Asset Management, with an increased evaluation on the impacts of EU Exit.

### 3.5 Strategic Risk Profile Summary





The Strategic Issues for the Council are summarised in table 1:

Issues	Likelihood	Impact	Score	Evaluation Q1	Q4 20/22
COVID 19	5	5	25	Critical 	Critical
Financial Stability	3	4	12	Medium 	Medium
The Change Programme	3	3	9	Medium 	Medium

The Strategic Risks for the Council are summarised in table 2:

Strategic Risks	Likelihood	Impact	Score	Evaluation Q1	Q4 20/22
Early Years Expansion (1140 Hours)	4	5	20	High 	High
Scottish Child Abuse Inquiry	5	4	20	High 	High
Asset Management	4	5	20	High 	High
Scottish Child Abuse Claims Project	3	5	15	Medium 	High
Information Security	3	5	15	Medium 	Medium
Cyber Security	3	5	15	Medium 	Medium
Health and Safety	3	5	15	Medium 	Medium
UK decision to leave the EU	3	4	12	Medium 	Low
The Long Term Change Programme	3	4	12	Medium 	Medium
Financial Sustainability in future years	3	4	12	Medium 	Medium
Growing Council	3	4	12	Medium 	Medium
Care at Home	3	4	12	Medium 	Medium
Governance and standards	3	4	12	Medium 	Medium
Employee performance	3	4	12	Medium 	Medium
Emergency planning and business continuity	3	4	12	Medium 	Medium
Climate change	3	3	9	Medium 	Medium
Legal and Regulatory compliance	3	3	9	Medium 	Medium
Working with other to deliver outcomes	3	3	9	Medium 	Medium
Internal control environment	3	3	9	Medium 	Medium
Corporate policies and strategies	2	3	6	Low 	Low

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

Strategic Opportunities	Likelihood	Impact	Score	Evaluation Q1 21/22	Q4 20/21
City Deal	5	5	25	Critical 	Critical
Creating a World Class Education System	4	5	20	High 	High
Shawfair	5	4	20	High 	High
Easter Bush – Penicuik	5	4	20	High 	High

### 3.6.1 STRATEGIC ISSUE – RATED CRITICAL AND HIGH

#### 3.6.1 COVID 19

During Quarter 1, the country continued to progress through the Protection Levels, with enhanced contact tracing. On 5<sup>th</sup> June, Midlothian, being one of 13 mainland authorities, remained at Level 2 along with the City of Edinburgh, while neighbouring West and East Lothians transitioned to Level 1. This brought with it an anticipation of cross boundary travel to otherwise restricted business types, carrying transmission risk but also implications on the local economy.

The Council's Incident Management Team (CIMT) continued to co-ordinate and oversee preparations and planned responses to the implementation of the tiered system. During Quarter 1, the CIMT maintained oversight to track potential risk impacts, the risk controls in place and to record progress on actions being taken to mitigate potential or expected impacts.

### 3.7 STRATEGIC RISKS – RATED CRITICAL/HIGH

#### 3.7.1 Asset Management

This risk continues to reflect the challenges managing the need for increased assets to meet the growth demand against the current financial backdrop of reducing revenue. The Capital Plan and Asset Management Board continued to robustly monitor capital projects, recognising that slippage in the capital programme weakens the overall financial management.

Given the importance of the built estate within Education to support delivery of the Council's priorities in this area, the Council established a Learning Estate Manager post and Executive Business Manager post within Education and Children's Services, to oversee delivery of School Estate Strategy. Estate Project Board established to oversee and track progress against agreed projects and delivery.

### **3.7.2 Scottish child abuse inquiry**

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.

Legislation to create a scheme for survivors of historical child abuse in care in Scotland to apply for financial redress payments of up to £100,000, as well as access to apology and support, has been passed by the Scottish Parliament. The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill. Survivors will be able to apply for a fixed rate redress payment of £10,000, or an individually assessed redress payment which will involve a more detailed examination of their experience. The individually assessed redress payment levels are set at £20,000, £40,000, £60,000, £80,000 or £100,000. Financial contributions are being sought by the Scottish Government from those involved in the care of the children at the time they were abused and COSLA has already offered to contribute £100 million to the scheme. All relevant actions with respect to the Claims Project have been completed and reduced the evaluation outcome of the risk in Quarter 1.

### **3.7.3 Early Years Expansion (1140 Hours)**

Following the Scottish Government's decision to increase the number of free early learning and childcare hours to 1140, the Council has continued to plan with its partners. The two key strands to the successful implementation are the recruitment and training of staff and the physical increase in estate 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.

The funding distribution to apply this Government policy is subject to ongoing monitoring, with the Council seeking to influence the proposed funding distribution beyond 2021/22 to ensure deliverability of this policy. An Early Years report was reported to Council in June 2021 and included information on risks associated with proposed funding distribution. Cosla proposal shared on funding quantum for 2022/23 with LAs for comment in August 2021.

## **3.8 STRATEGIC OPPORTUNITIES**

### **3.8.1 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. Projects continue to be progressed with realisation of regional enhancements and connectivity.

### **3.8.2 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.

### **3.8.3 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.

### **3.8.4 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.

### **3.8.5 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 risks reported in this report are understood with the Council able to demonstrate the current risk controls and actions being taken in response to these.

The report provides an overview of the significant risks faced by the Council during Quarter 1 2021/22 and should act to provide assurance that Midlothian Council took a proportionate and planned approach to prepare and respond to each of these risks.

### **4.4 Ensuring Equalities**

There are no direct equalities issues arising from this report.

### **4.5 Additional Report Implications (See Appendix A)**

#### **Appendices**

**Appendix A – Strategic Risk Profile (Quarter 1 2021/22)**

**Appendix B – Strategic Risk Profile (Quarter 4 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

### **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 assurance that the current risk environment is understood and that Midlothian Council is taking appropriate action in response to those identified risks.

### **A.5 Involving Communities and Other Stakeholders**

This Strategic Risk Profile report has been compiled 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 challenging risk environment within which the Council is operating at this time. Being in



a risk aware position helps 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 Risks and Opportunities.