

Brief Headline Report on Corporate Risks

Report Type: Risks Report

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Risk Code & Title	Risk Description	Original Risk Risk Score	Current Risk Risk Score	Current Risk Likelihood	Current Risk Impact	Target Risk Risk Score	Notes & History Latest Note
MC01-01 People risks	<p><u>Potential sub risk areas</u> include:- 01 – health and safety – duty of care over employees 02 – difficulties recruiting the right staff 03 – retaining quality staff 04 – low skill levels 05 – low morale, especially during change 06 – non compliance with policy and procedure 07 – ageing work force and 08 – high absence rates There is currently a further group of threats that are impacting on the Council and its employees and these are external factors: public sector pay freeze, pension reforms, industrial action, public sector reform, reduction in</p>	18	12	1	4	6	<p>2013/14: The 2011-14 People Strategy is being completed. A successor Strategy is under development which will address the changed context that the People Risk will operate in moving forward: financial challenge, partnership working, Single Midlothian Plan, no compulsory redundancy policy, workforce planning, low pay agenda. The 2014 Employee Survey demonstrates that although much has been done the journey to reduce</p>

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	household incomes, reduced ability to retire, limited job opportunities						the People risk is, as with all other public service organisations in Scotland right now, not yet complete. The current high level of Organisational restructuring, as part of cost reduction, also presents a challenge to employee engagement levels. The Mi Future programme has however, to date, been successful in placing displaced employees into other roles, either on a permanent or temporary basis. The Enhanced VSER Scheme is also a strategy to mitigate the risk
MC01-02 Governance and	<u>Potential</u> sub risks include:-	18	12	1	4	6	2013/14: The revised Code of

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Standards in Public Life	01 Macro governance at the top – failure in openness, accountability, clarity; 02 Micro governance in services, partnerships and projects and outcomes not achieved 03 Non compliance with codes of conduct and reduction in standards in public life						Corporate Governance 2013/14 was approved by Midlothian Council on 17 December 2013 and plans are in place to review annually. Additionally, most 2013/14 ICO and Data Protection audit actions are now complete. Risk remains as MEDIUM until all are progressed, but can then be reduced to LOW
MC01-03 Customers and Performance	<u>Potential</u> sub risks include:- 01- Increasing number of complaints, reputation damage from BV; 02 - Lack of modern facilities for public to relate to the Council; 03 - Poor management information for which to	18	6	2	3	6	2013/14: As one of the 8 Transformational Strands of the Financial Strategy, work continues on customer services. Sponsor and Lead have been appointed to this project and a

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	<p>monitor performance and to inform the public; 04 – Limited capacity to improve; and 05 – Inspection criticism and reputation damage</p>						<p>Project Definition Document setting out the scope, aims, deliverables and timeline will be presented to Business Transformation Board in May 2014. Alongside this a draft Customer Service Strategy is being refreshed for Board approval.</p> <p>A pilot hub project has been agreed for Mayfield and work is progressing to fully scope this. Customer Complaints reporting, trends and analysis is underway and further work on developing a corporate approach to Customer Satisfaction is being</p>

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							progressed.
MC01-04 Internal Control Environment	<u>Potential</u> risks include:- 01 – Fraud 02 – Waste and Error caused by inadequate internal control, residual risk and poor governance at macro and micro levels. 03	14	6	2	3	6	2013/14: Internal Audit continue to highlight some weaknesses in internal controls.
MC01-05 Balancing Budgets in future years/Impact of Budget Cuts/Financial Strength of Council	<u>Potential</u> sub risks include:- 01 – Slow realisation of savings 02 – Improvements to services cannot be financed as a result of budget cuts 03 – Missing external grant opportunities 04 – Poor collection performance in income streams 05 – Fees and charges out of date 06 – Unforeseen commitments	14	18	2	4	6	2013/14: Financial Strategy and Council Strategy was agreed by Council on 4th February 2014.
MC01-06 Emergency Planning and Business Continuity Management	<u>Potential</u> sub risks include:- 01 – Censure through non compliance with the Civil	19	12	1	4	6	2013/14: Work on going to explore the potential benefits to the Council working

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	Contingencies Act 02 – Not adequately recovering from the loss of major accommodation (eg secondary school, main offices), computer systems and staff 03 – Not able to respond to a major emergency in the community 04 – Fatal Accident Inquiries						in Partnership with East Lothian Council on Contingencies Planning matters.
MC01–07 Corporate Policies and Strategies	<u>Potential</u> sub risks could include:- 01. Policy may not be aligned to BV 02. Policies may not match aspirations or corporate direction 03. Policies may become out of date 04. Policies not monitored and non compliance exists 05. Strategy misaligned to policy; may not work	14	6	1	3	6	2013/14: Internal Audit continue to test compliance and how up to date policies are through audit program.
MC01–08 Corporate Change and Transition	<u>Potential</u> sub risks include:- 01 – Delays 02 – Cost creep	18	23	3	5	12	2013/14: Council approved the Financial Strategy 2015–16 – 2016/17

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	03 – Slow benefits realisation and budget savings 04 – Objectives of changes not actually met 05 – Adverse impact on services 06 – Staff morale affected 07 – Government step-in						incorporating the Council Transformation Delivery Plan 2014/17 in February. Sponsors and Leads appointed to Transformation Projects with Finance and Transformation support aligned. PDDs being developed by Project Leads for approval at May BTB with an early assessment of financial savings target being made by Project Sponsors. An overall assessment of the Financial Strategy savings target being progressed by the Finance Manager and Transformation Manager. This corporate risk remains 'critical'

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MC01-09 Legal and Regulatory Compliance	<p><u>The potential sub risks include:-</u></p> <p>1. A local authority is bound by a plethora of legislation and government regulation:</p> <p>and 2. Ultra vires actions could transpire</p>	12	18	2	4	6	<p>until we demonstrate through implementation that the Financial Strategy is delivering transformation change and planned savings to secure financial stability.</p> <p>2013/14: 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</p>

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							<p>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.</p>

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							<p>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.</p> <p>On a positive note, the Information Commissioners Office provided positive feedback, confirming that they are satisfied with the progress against the improvement plan</p>

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MC01-11 Asset Condition – buildings, vehicles, computer, roads	<u>Potential</u> risks include insufficient budgets to make a serious impact on deterioration of assets; adverse legacy for the future. Limited funds to make a real difference. For example, in Roads Services there is a real risk of increased potholes and insurance claims, reduced skid resistance leading to higher accident potential and building up of higher costs in the future. In respect of vehicles, increased breakdowns, service failures, greater maintenance inevitable, higher short-term hire costs. In terms of property, health and safety issues arise, failure to meet current standards and higher running costs. There is also the risk of two-tier accommodation,	18	6	2	3	6	after their 2013 audit. 2013/14: The Council has made provision as part of its 'General Services Capital Plan' approved in February 2014 to maintain assets, eg. Buildings, Roads, Vehicles etc.

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	some high quality, some low.						
MC01-12 Welfare Reform Act	<p>This is deemed to be a severe challenge for the Council and its citizens with specific risks identified in a report to CMT on 18.6.12 as follows: Insufficient Service Capacity, Reduced Revenues for Council and Organisational Change. There are sub-risks as well, all to be developed in the Project Risk Management Plan. Normally, this risk would sit under risk MC01-09 but because of its high impact, it has been separated out.</p>	23	19	3	4	6	<p>2013/14: 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</p>

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							<p>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</p>

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							<p>impact when these take effect.</p> <p>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.</p> <p>Proposals were presented separately</p>

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							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.