

Risk Management, Update for the period July 2013 - December 2013
Report by Gary Fairley, Head of Finance and integrated Service Support
1 Purpose of Report

The purpose of this report is to provide the Audit Committee with the 2013/14 quarter 2 & 3 update, following review 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 for information.

At the beginning of 2013/14 the profile of Corporate Risks facing the Council were as shown below:

Very low	Low	Medium	High	Critical	Total
0	1	6	4	0	11

2.2 The current headline report indicates the highest risks facing the Council at this time are recorded as:

- Balancing Budgets in future years/Impact of Budget Cuts/Financial Strength of Council
- Corporate Change and Transition
- Legal and Regulatory Compliance
- Welfare Reform Act

The corporate risk profile at the end of quarter 3 is shown in the table below, with no change to the overall Corporate Risk profile.

Very low	Low	Medium	High	Critical	Total
0	1	6	4	0	11

2.3 In relation to the 11 corporate risks, there are 76 related actions to be undertaken. Of the 76 related actions, 5 are due for completion during

2014. Progress made to date by council officers in relation to the 76 actions can be summarised as follows:

57 or 74% of the actions have been completed,

5 or 6% of the actions are progressing as planned, and

10 or 13% are not yet completed within the original timescale anticipated; of these 5 relate to one of the council's 'top 4' corporate risks, Legal and Regulatory Compliance.

The remaining 4 actions were cancelled as they were no longer relevant.

CRITICAL & HIGH RISKS

2.4 The risk register setting out the Critical & High risks facing the Council is presented as Appendix 2. Below are examples of Critical & High risks facing the Council during Q2 & 3 of 2013/14.

2.5 Compliance - Regulatory, Contractual and Legal

This is the risk of censure and includes DPA, FOI, RIPSA, Computer Misuse, Health and Safety, GSX, NHS, Police.

This is currently still High risk due to PSN - Cabinet Office Zero Tolerance approach and the extremely tight timescales to achieve compliance. Briefing papers has been presented to CMT & Council (17/12) providing appropriate details and the wider implications on front line service users.

The actions being taken to address this can be seen in Appendix 2 showing the Critical & High Risk summary.

2.6 Revenues - collection performance and collection levels across all income streams

This risk relates to the difficulties in maintaining or in fact improving collection rates in all aspects of revenues, despite the currently challenging economic position both externally and internally.

Collection will remain a HIGH risk for the foreseeable future due to welfare reform changes. Council Tax collection is down by 0.6% on same period last year. Rent arrears have increased by 2.69% over previous 9 months due to welfare reform cuts, including under occupancy charge affecting over 800 Council tenants. Improved processes for direct deductions and proactive collection and recovery initiatives with Sheriff Officers are being implemented. There is continued engagement with Council tenants regarding arrears and the promotion of discretionary housing payments from the increased budget from Scottish Government funding.

The actions being taken to address this can be seen in Appendix 2 showing the Critical & High Risk summary.

2.7 Revenues - provide an effective benefits service, with improved processing times and fit for purpose in a modern environment

This risk relates to the requirement to continually improve benefits processing times, whilst introducing new technologies and preparing the service for the major changes which will be introduced through Welfare Reform, the SFIS etc.

This has been escalated to HIGH risk as benefit processing is an area of risk, in view of significant increase in workload from legislative changes and new responsibilities for Scottish Welfare fund from April 2013. There are also reduced numbers of staff arising from maternity leave and unfilled vacancies which have been partly covered by additional agency staff. The Value of LA error and Admin Delay is currently significantly above upper threshold, meaning there is an extreme likelihood of loss of potential additional subsidy for 2013/14 (currently £145k and threshold at Q3 is £106k).

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

The Budget strategy was agreed by Council in May 2013 and latest report to Council in December 2013 addressed the gap. The report also provided an outline of plans to address future year's budget shortfalls. This remains a high priority for Corporate Management Team.

2.9 Risk Management Review

The Risk, Safety & Civil Contingencies Manager has concluded a review of Midlothian Council's approach to risk management. This review has resulted in the production of a report setting out a number of recommendations. The report suggests the need to revise the current Risk Management Policy & Framework to build on the current arrangements in place.

The main findings of the report were that enhancements could be made by integrating the risk management process with Service Planning to ensure risks associated with delivering on outcomes were identified at an early stage. The report also highlighted the opportunity to provide further clarity around governance and the risk management process.

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 downward to acceptable levels, even if this is going to take a while through gradual, but well-planned steps.

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 organisation 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.

3.6 Involving Communities and Other Stakeholders

Consultation has taken place with Senior Managers in charge of the corporate risks.

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:

1. Note the 13/14 quarter 2 & 3 combined report on Corporate Risks and consider the current response to these risks
2. Add to the list of Corporate Risks
3. Recommend any changes to the risk scores

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Background Papers:

Corporate Risk Headline Report Appendix 1
Critical & High Risk Report Appendix 2