

Risk Management Update for 1 July 2019 – 30 September 2019

Report by Chris Lawson, Service Manager – Waste, Risk & Resilience

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 2019/20 quarter 2 strategic risk management update, covering the period 1 July 2019 to 30 September 2019.

2 Background

Midlothian Council have taken a range of steps to reduce manage spend within available budgets, while continuing to deliver key services to our local communities. The Council have operated within the balanced budget set for 2019/20 for the first six months of this financial year. Work has continued on develop the medium term financial plan, with the purpose of continuing to place the Council's finances on a more secure footing.

Transformational change has, and continues to be vitally important to the Council as it seeks to improve local outcomes against a backdrop of growing demand and reducing resource.

As a consequence of UK election Scottish Government will not publish its budget on 12 December. The Scottish Budget bill is expected to be delayed until sometime in January 2020. Officers are monitoring the position and will update councillors on developments and the implications of these for the 20-21 budget. The continued financial outlook is challenging, with uncertainty associated with future years grant settlements and the economic impact of the UK's exit from the European Union scheduled for until 31 January 2020, pending any amendments by Parliament and the European Union.

Council Services have given consideration to business critical functions/services reliant on goods or services from within the EU as the prospect of the UK leaving the EU without a transition deal on 31 October 2019 had continued through quarter 2. The Council worked with strategic partners including the Scottish Government in preparation for a no deal scenario. In response the Council's EU Exit Working Group has met regularly with the purpose of overseeing final Service and Council preparations for a no deal exit from the European Union.

The Council's EU Exit Working Group will continue to monitor external developments and support preparations for a departure currently scheduled for the 31 January 2019.

2.1 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 seen as the tool to put the Council's finances on a more stable footing.



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 2 are associated with the 'Early Years expansion', the 'abuse claims project' and the 'Scottish abuse inquiry'.














The risk rating set against Asset Management has been reviewed this quarter with the rating increased to a high risk. This reflects the challenges managing the need for increased assets to meet the growth demand against the current financial backdrop of reducing revenue. The Capital and Asset Management Board is putting in place interventions to allow it to more robustly monitor the of capital projects with a value of more than £1m, recognising that slippage in the capital programme weakens the overall financial management.








2.3 Strategic Risk Profile Summary

The Top Strategic Issues are summarised in table 1.







Top Issues	Likelihood	Impact	Score	Evaluation	
The Change Programme	5	4	20	High	
Financial Stability	3	4	12	Medium	

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

Strategic Risks	Likelihood	Impact	Score	Evaluation	
Early Years Expansion (1140 Hours)	4	5	20	High	
Scottish Abuse Inquiry	5	4	20	High	
Historic Abuse Claims Project	4	5	20	High	
Asset management	4	5	20	High	
The Longer Term Change Programme	4	4	16	High	
Information Security	3	5	15	Medium	
Cyber Security	3	5	15	Medium	
Health and Safety	3	5	15	Medium	
Financial Sustainability in future years	3	4	12	Medium	
Growing Council	3	4	12	Medium	
Care at Home	3	4	12	Medium	
UK decision to leave the EU	3	4	12	Medium	
Governance and standards	3	4	12	Medium	

Strategic Risks	Likelihood	Impact	Score	Evaluation	
Employee performance	3	4	12	Medium	
Emergency planning and business continuity	3	4	12	Medium	
Climate change	3	3	9	Medium	
Legal and regulatory compliance	3	3	9	Medium	
Working with other to deliver outcomes	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	
City deal	5	5	25	Critical	
Growing Council	5	5	25	Critical	
Creating a World Class Education System	4	5	20	High	
Shawfair	5	4	20	High	
Borders rail	5	4	20	High	
Easter Bush – Penicuik	5	4	20	High	

2.6 STRATEGIC ISSUES – RATED CRITICAL AND HIGH

2.6.1 Financial Stability

On 1 October 2019 an update report was presented to Council on the Medium Term Financial Strategy, the report recommended to move the in principle decisions shown in appendix 1 of that report to full approval in order to enable officers to commence implementation and that the remaining, in principle, decision in appendix 2 of the same report be subject of further consultation with communities.

Council was asked to reaffirm delegation to the cross party Business Transformation Steering Group the next phase of development of the Medium Term Financial Strategy, namely to identify measures to address the remaining budget gaps for 2021/22 and 2022/23.

2.6.2 The Change Programme

The Council had identified a need to carry out a series of bottom up service reviews, this work was proposed to have an initial 3 phases of review in the report to Council, Land Services review is now completed with measures reflected in 2019/20 budget. Waste Services is complete. Roads Services is due to have an initial meeting mid-year. Sport and Leisure review is underway.

Monitoring the oversight of the Change Programme is delivered through dashboard reporting prepared by each Head of Service and reported (6 weekly) to the Business Transformation Board. This is in addition to continued quarterly financial reporting by Financial Services.

2.7 STRATEGIC RISKS – RATED CRITICAL/HIGH

2.7.1 Financial sustainability in future years

On 1 October an update report was presented to Council on the Medium Term Financial Strategy, the report recommended to move the in principle decisions shown in appendix 1 to full approval in order to enable officers to commence implementation and that the remaining, in principle, decision in appendix 2 be subject of further consultation with communities.

Council was asked to reaffirm delegation to the cross party Business Transformation Steering Group the next phase of the development of the Medium Term Financial Strategy, namely to identify measures to address the remaining budget gaps for 2021/22 and 2022/23.

2.7.2 Growing Council

Midlothian Council was identified in 2018 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.

Capacity available in school as a result of the rising population is causing a risk. The school estate capacity report and pupil intake limit report is being presented to council on 12 November 2019. In addition the updated learning estate strategy will be reported to February council. The multi-disciplinary group are meeting fortnightly to identify and address potential barriers to delivery of building work associated with 1140 hrs and wider service school estate needs.

The learning estate strategy and a refresh of the capital strategy will be presented together at February Council.

2.7.3 Scottish abuse inquiry and Abuse Claims

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.

SOLAR and COSLA have been in discussion with CELCIS who undertook consultation and engagement with victims/survivors of abuse. The outcome of which has resulted in a recommendation being made to Scottish Government to commit to establishing a financial compensation/redress schemes for victims/survivors. Whilst the implementation of such a scheme may still be some way off, this may mitigate some of the financial risks that the Local Authority was potentially facing.

2.7.4 Cyber Security

Over the past year the Council have been monitoring reports of cyber-attacks on public sector networks. In recent months attacks have been made on a number of public sector organisation, raising the potential for an attack to be directed at Midlothian Council.

2.7.5 Early Years Expansion (1140 Hours)

Following the Scottish Government's decision to increase the number of free early learning and childcare hours to 1140 from August 2020 the council has commenced preparations with its partners. The two key strands to the successful implementation are the recruitment and training of staff and the physical increase in 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.

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2.7.7 The Longer Term 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 Board;
- The Delivering Excellence programme;
- The Transformation Programme;
- The EWiM programme;
- An updated Capital Strategy and Reserves Strategy; and
- Operational savings encompassing financial discipline measures.

2.8 STRATEGIC OPPORTUNITIES

2.8.1 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.

2.8.2 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.

2.8.3 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.

2.8.4 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.

2.8.5 Borders Rail

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. Also an opportunity to encourage sustainable travel by residents of major new housing developments in the rail corridor. Ensuring Midlothian secures appropriate levels of Blueprint funding from the multi-agency Borders Rail 'Blueprint' funding group.

2.8.6 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.

3 Report Implications

3.1 Resource

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

3.2 Risk

The Strategic Risk Profile seeks to articulate the significant issues, risks and opportunities 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 recommended to:

Note the quarter 2 2019/20 Strategic Risk Profile report and consider the current response to the issues, risks and opportunities highlighted.

Date: 15 November 2019

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Background Papers: **Appendix 1** Strategic Risks Profile
Quarter 2 2019/20