

Risk Management, Update for 1 July 2015 – 30 September 2015

Report by Chris Lawson, Risk Manager

1 Purpose of Report

The purpose of this report is to provide Audit Committee with the 2015/16 quarter 2 update, covering the period 1 July to 31 September 2015.

2 Background

CORPORATE RISKS

2.1 Audit Committee have requested regular reporting on the Council's Corporate Risks, a headline report is attached as Appendix 1 for information. The format of this report has been updated to reflect the proposed reporting format agreed by the Council's Management Team.

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

- Balancing Budgets in future years, including the Impact of Budget Reductions and the Financial Strength of Council
- Corporate Change and Transition

2.3 CRITICAL & HIGH CORPORATE RISKS SUMMARY

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

The Financial Strategy to 20/21 was approved by Council on 22 September 2015. Other controls remain in place and actions associated with these are being progressed. The Grant settlement for 2016/17 is expected in late December.

2.3.2 Corporate Change and Transition

The 5 transformational strands continue to be monitored through the Programme Boards with regular updates to the Transformation Board and Steering Group. Whilst recognising that the Transformation Programme alone will not deliver the budget gap, Council previously approved the Delivering Excellence framework to respond to the outstanding financial challenge for 2017/18 and the inevitable financial and service challenges the Council will face in future years as a consequence of wider public sector reform and financial outlook.

With a focus on reshaping service delivery as the most sustainable way to address the financial and service challenges, to deliver excellence and maintain service and financial sustainability through a continuing period of public sector constraint. The framework provides a means to refocus the overall approach to service planning, priority setting and resource allocation, whilst also addressing the need to consult and engage with communities. While it is a refocus rather than a fundamentally different approach its success requires a shift in culture and thinking, requiring a more innovative and entrepreneurial approach across the Council, and therefore be underpinned by strong leadership.

2.8 Risk Management Development

2.8.1 Risk Management Group

The Risk Management Group met during Quarter 2 15/16. The focus continues to be on ensuring Service Risk Registers are updated to enable new and emerging risks to be recorded.

Updates at the meeting included a briefing from the Head of Customer & Housing Service advising on the Newbyres Crescent risk, the Carbon Dioxide risk to residents has now been eliminated with all residents being moved out of the affected homes ahead of site demolition.

2.8.2 Corporate Risk Register

In preparation for the review of the Council's Corporate risk register, the Risk Manager has sought to compare the Council's current risks with similar organisations. In seeking to do this, a recently published report published by Zurich Municipal has been utilised as it provides a good picture of the top 10 Corporate Risks facing Local Government at this time; these are as follows:

1. Budget pressure
2. Changes in government policy, legislation & regulation
3. Workforce
4. Business & organisational transformation
5. Working with other organisations
6. Reputational management
7. Social risks
8. Data protection & security
9. Operational risk management (Health & Safety)
10. Environmental challenges

Comparing the Council's Corporate Risk Register against these top 10 risks, 7 of the 10 risk currently feature within Midlothian's Corporate Risk Register. The remaining risks are identified with Service Risk registers, e.g. reputation is considered as part of the assessment process and associate risk rating, Social risk e.g. population change are being identified by services who provide frontline services, Environmental changes is included within the Commercial Operations risk register.

This comparative work will be considered by the Council's Management Team when the Corporate Register is reviewed in-line with the Council's Strategic Objectives.

2.8.3 Risk Management Framework

During this quarter the Risk Manager contributed to the Delivering Excellence program. This work has ensured the consistent use of management assessment tools such as PESTEL, SWOT and Stakeholder Analysis across Delivering Excellence and the new Risk Management Guide.

In support of the Council's Risk Management Policy the following guides have been produced:

- The Risk Management-Process Guide;
- Guide to using covalent to record Risk

The implementation of the Risk Management Guide, which will now follow, will result in changes to the way risk information is presented. At present, risks which have already been realised and future potential risk are recorded within risk registers. The implementation of the risk management guide will see issues logs created. Issues logs will record all those risks which have been realised, whether previously identified as risks or not and the measures being taken now in response.

This will enable the risk registers to become more forward looking, horizon scanning therefore identifying what may impact the organisation in the future; both positive and negative. This should enhance the Council's decision making processes, supporting the evidence based management approach.

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 and respond to risk on an ongoing basis.

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 authority 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.

3.6 Involving Communities and Other Stakeholders

Consultation has taken place with Senior Managers responsible for corporate risk management.

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:

Note the 15/16 quarter 2 report on Corporate Risks and consider the current response to the risks highlighted.

Date: 25 November 2015

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Background Papers: **Appendix 1** Corporate Risks Report
Quarter 2 2015/16