

Risk Management Update – Strategic Risk Profile Quarter 1 2024/25

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 (Q1) 2024/25 (1st April to 30th June 2024).

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 Q1 2024/25 to respond to the current risk climate
- Assurance that Midlothian Council took a proportionate and planned approach to prepare and respond to the current risk climate
- The risk evaluation of current strategic risks and opportunities for the Council

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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 2024/25.

3.2 The Council continues to manage and review risks recorded within the Strategic Risk Profile. The work required to maintain the necessary corporate oversight over the broader strategic landscape continues through the Risk and Resilience Chief Officer group and Corporate Management Team (CMT).




3.3 Audit Committee should note that there were no new risks added from the previous Quarter however, as per the request from Audit Committee, the Strategic Opportunities section has been revised to include Strategic Projects. The Projects included have a Red category across their respective Risk Evaluation. Updates on actions taken are included in the full strategic risk profile (Appendix B).

3.4 Strategic Risk Profile (SRP)

The SRP is split into three sections:

- Strategic issues
- Strategic risks
- Opportunities

3.5 STRATEGIC ISSUES - SUMMARY

Strategic issues	Likelihood	Impact	Score	Evaluation Q1	Q4 23/24
The Change Programme	5	5	25	Critical 	Critical
Financial Sustainability	5	5	25	Critical 	Critical
National Care Service	3	5	15	Medium 	Medium

3.6 The Change Programme

The Change Programme remains evaluated at Critical. The financial challenges of the forecasted budget gap pose a significant challenge for benefits realisation. Council agreed to a Transformation Blueprint in June 2023 which is a 5-year transformation plan.


















3.7 Financial Sustainability

The scale of the financial challenge continues to be reported to the Business Transformation Steering Group and Council.

3.8 National Care Service

The Bill has experienced significant delays, but it is now at Stage 2.

3.9 STRATEGIC RISKS – SUMMARY

Strategic Risks	Likelihood	Impact	Score	Evaluation		
				Q1 24/25		Q4 23/24
Climate Change	5	5	25	Critical		Critical
Financial Sustainability in future years	5	5	25	Critical		Critical
The Long-Term Change Programme	5	5	25	Critical		Critical
Legal and Regulatory compliance	5	5	25	Critical		Critical
UK decision to leave the EU	4	5	20	High		High
Scottish Child Abuse Inquiry	4	4	16	High		High
Growing Council	4	4	16	High		High
Cost of Living Crisis	3	5	15	Medium		Medium
Asset Management	3	5	15	Medium		Medium
Cyber Security	3	5	15	Medium		Medium
Health and Safety	3	5	15	Medium		Medium
Care at Home	3	4	12	Medium		Medium
Employee performance	3	4	12	Medium		Medium
Emergency planning and business continuity	3	4	12	Medium		Medium
Governance and standards	2	4	8	Low		Low
Internal control environment	2	3	6	Low		Low
Corporate policies and strategies	2	3	6	Low		Low

3.10 STRATEGIC RISKS – RATED CRITICAL/HIGH

3.11 Climate Change

The Council has developed a final draft of a Climate Change Action Plan. This is the next stage of progressing with the Climate Change Strategy, approved by Council in August 2020. Councillors will be presented with a briefing on the Climate Action Plan in Q2 24/25 as committed to through the Transformation Blueprint.

3.12 Financial Sustainability in future years

The scale of the financial challenge continues to be reported to Business Transformation Steering Group and Council.

3.13 The Long-Term Change Programme

The Change Programme remained at Critical throughout 22/23 and 23/24. The financial challenges of the underlying budget gap pose a significant challenge. Council agreed to a Transformation Blueprint in June 2023 which is a 5-year transformation plan.

3.14 Legal and Regulatory compliance

Significant resourcing pressures have impacted on risk evaluation. Work is ongoing with the Scottish Information Commissioner and National Records of Scotland to develop and deliver improvement plans.

3.15 UK decision to leave the EU

The rate of inflation is impacting on the cost-of-living crisis for Midlothian residents and posing significant risk to a number of Council Capital Programme work streams. This was reported to the Business Transformation Steering Group (BTSG) and also through progress reports on programmes to Council. A new Economic Strategy will be presented to Council. This risk evaluation remains High.

3.16 Scottish Child Abuse Inquiry (SCAI)

The SCAI risk evaluation remains High as the Inquiry continues.

3.17 Growing Council

The risk evaluation remains High in Q1 2024/25. This is in response to the current financial challenge as described above and the increased pressure the Council faces with growth. Some current examples of this include:

- Inflationary impact on the delivery of the capital programme
- Cost of living crisis
- Pressure on the care sector as people are living longer and require more care provision
- General population growth places additional demand on infrastructure such as GPs, schools, waste services etc.

3.18 Work is ongoing to review the Learning Estate Strategy and a reprioritisation of the Capital Programme.

3.19 STRATEGIC OPPORTUNITIES

3.20 Capital Projects - Housing

Projects impacted with 26% reduction in Affordable Housing Supply Programme grant to Midlothian and continued high build costs. Phase 5 housing programme has been reviewed to ensure affordability within the Housing Revenue Account, allowing for reduced levels of grant. Projects highlighted with specific Red Risk Evaluation(s) and detailed within the SRP are Newbyres, Gorebridge; Edmonstone Road, Shawfair and Newton Church Road, Danderhall.

3.21 Capital Projects – Transport, Net Zero & Infrastructure

Cost of delivering enabling infrastructure projects has risen, resulting in significant funding gap emerging and impacting on progress of A701 Relief Road, Sustainable Transport Corridor and Straiton Junction Improvements, which are detailed within the SRP.

3.22 Capital Projects – Children, Young People & Partnerships Estates Programme: Primary

Five specific projects identified within the SRP:

1. Mayfield/St Lukes PS New Build: Tender return from Stage 1 exceeds available budget. Programme delayed for project revision.
2. Kings Park PS Extension & Refurbishment: No available budget to undertake extension. Condition and suitability of school to be addressed.
3. Rosewell PS Extension: No available budget to undertake extension. Condition and suitability of school to be addressed.
4. Mauricewood PS Extension & Refurbishment: Rising roll and catchment review requires investment in school to address capacity and suitability. Limited budget available. Design team appointed to develop investment in school that aligns with budget available from Developer Contributions.
5. Bilston PS Extension: Rising roll and catchment review requires investment in school to address capacity and suitability. Limited budget available. Design team appointed to develop investment in school that aligns with budget available from Developer Contributions.

3.23 Capital Projects – Children, Young People & Partnerships Estates Programme: Secondary

Three specific projects identified within the SRP:

1. Beeslack HS Replacement: Site acquisition being progressed, however dependent on planning being achieved (expected Nov 24). Contractor appointment delayed. Programme behind due to changes in scope / design.

2. Shawfair All Through: Site acquisition complete. School location fixed with design team. Remediation programme being revised. Seeking to make efficiencies in remediation programme.
3. Penicuik HS New Build: LEIP target for delivery is Dec 2026, however programme for occupation is July 2027. Cost reports tracking higher and risks identified in refurbishment works. SFT advising if additional LEIP funding available.

3.24 Capital Projects – Regeneration

Three specific projects identified within the SRP:

1. Vogrie Changing Places: contractor issues.
2. Destination Hillend: Alpine Coaster delivered with access and parking infrastructure. Project absorbed risk and contingency. Delays to delivery resulting from issues with access / water mains. Main Building tender return exceeded budget. Next Phase to be recast. Interim works on water supply and drainage required.
3. Hopefield Industrial Estate: Updated financial model required.

3.25 City Region Deal

Edinburgh and South East Scotland City Region 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.

4 Report Implications (Resource, Digital and Risk)

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 2024/25 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 (if required a separate IIA must be completed)

There are no direct equalities issues arising from this report.

4.4 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications

Appendix B – Strategic Risk Profile (Quarter 1 2024/25)

APPENDIX A – 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
- None of the above

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.