

## Risk Management, Update for 1 January 2015 – 31 March 2015

### Report by Chris Lawson, Risk, Safety and Civil Contingencies Manager

#### 1 Purpose of Report

The purpose of this report is to provide Audit Committee with the 2014/15 quarter 4 update, covering the period 1 January to 31 March 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.

At the beginning of 2014/15 the profile of Corporate Risks facing the Council were, as shown in the table below:

Very low	Low	Medium	High	Critical	Total
0	4	3	3	1	11

- 2.2 The current headline report, attached as appendix 1, 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
  - Welfare Reform Act

The corporate risk profile at the end of quarter 4 is shown in the table below, with 1 Critical risk, 2 High risks, 5 medium risks and 2 risks rated as low risk.

In Year Change	Very low	Low	Medium	High	Critical	Total
	0	2	5	2	1	10
	0	-2	+2	-1	0	

## **CRITICAL & HIGH CORPORATE RISKS**

### **2.4 Corporate Change and Transition**

The Council's current financial strategy sets out the plan for delivery of efficiencies, over the next 3 years period. December 2014 Council considered the financial strategy update report by the Head of Finance and Integrated Services Support and endorsed a comprehensive service review approach to address the projected budget shortfall for 17/18 and deliver service improvements.

This risk impact continues to be considered critical due to the significant reliance on the financial strategy and transformation approach to help secure financial sustainability. In order to help bridge the projected 17/18 budget shortfall December Council approved the development of a comprehensive service review approach, with a key focus on self evaluation, to supplement the existing programme of transformational activity. The approach will be presented to June 2015 Council for ratification and implemented thereafter.

The Council continues work to support the Integration of Adult & Social care through the Integrated Joint Board. The Council's Risk Manager has supported Officers from the Council and NHS to identify Strategic risks and record these within a shared risk register.

### **2.5 Balancing Budgets in future years/Impact of Budget Cuts/Financial Strength of Council**

The latest update of Council's Financial Strategy was presented to Council on 17 February 2015 setting out the revenue budget projections for the period to 2017/18 and incorporating the impact of the approved Transformation Delivery Plan which sets out how the Council is currently delivering the transformation of services and directing expenditure to focus the available resources on priority outcomes.

The Financial Strategy report highlighted that the proposed budget for 2015/16 enabled the projected deficit in 2016/17 to be offset by the projected surplus in 2015/16. However the report highlights that existing plans are not sufficient to address the entire projected budget shortfall in the period to 2017/18 with a shortfall of £4.945 million remaining.

The Delivering Excellence framework is being developed 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.

The framework focuses 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 what is going to be a continuing period of public sector constraint. The framework will provide 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 will require a fundamental shift in culture and thinking and therefore be underpinned by strong leadership.

## **2.6 Welfare Reform Act**

Collection will remain a HIGH risk for the foreseeable future due to welfare reform changes. Council Tax collection is up 0.3% on same period last year. This has been achieved due to quicker billing and recovery of Council Tax due, despite an increase in the amount due from an increase in the number of properties and a reduction in the level of Council Tax Reduction (Benefit) awarded. Rent arrears have reduced by 0.20% from same period last year through continued engagement with tenants regarding arrears and promotion of discretionary housing payments from increased budget from Scottish Government funding.

While the current risk from Welfare Reform is not critical to the Council's delivery of its key priorities, there remains significant uncertainty in the medium term regarding future planned cuts by the UK Government.

## **2.7 SERVICE RISKS**

Service Risk Registers have been updated during quarter 4 to allow reporting on risk by managers and Head of Service. Further work is being carried out with Service Managers to ensure the registers remain reflective of the operating context.

The critical and high risks facing the Council's Services currently are:

- Meeting growing demands with constrained /reduced budgets
- Business Transformation Programme
- Education Transformation Project
- Getting it Right for Every Midlothian Child
- Revenues - Ensuring longer term arrangement for Non Domestic Rates
- Revenues - provide an effective benefits service, with improved processing times and fit for purpose in a modern environment
- IT - Compliance - Regulatory, Contractual and Legal
- IT - Computer Business Continuity Management
- Information Management and Data Protection
- Recovery of Service after Major Incident

A report providing more detailed information is attached as appendix 2.

## **2.8 Risk Management Development**

The Risk, Safety and Civil Contingencies Manager has reconvened the Corporate Risk Management Group with each of the new Services

providing a Service Manager to attend as Service Risk Management Champions.

The groups initial focus has been to ensure Service Risk Registers are updated. Work has been completed to realign the Service Risk Registers to the current organisational structure. It is acknowledged that further work is required at a Service level to revitalise risk registers to reflect risk to delivering Service and Council priority objectives.

The revised risk rating model presented to Audit Committee as part of the Council's revised Risk Management Policy will be applied to the newly formed registers during quarter 1 2015/16.

During quarter 1 the Risk Manager will be providing Services with direction to update their risk registers, to identifying risk and opportunities relating to the delivery of Service plans and in turn the delivery of the single Midlothian plan.

Work is currently underway to update the approach to Risk Management within the Council in-line with the commitments made within the revitalised Risk Management Policy; previously presented to Audit Committee. A key document in this is the production of a Risk Management-Process Guide to direct those responsible for managing risk to do so in a structured manner. Training for Officers will be provided in support of the use of this guide and the application of sound risk management principles. This will directly support the process of embedding risk management into routine management practice. In support of this an intranet micro site will also be built to provide managers with the range of management tools needed to identify and manage new and emerging risks.

### **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 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 14/15 quarter 4 report on Corporate Risks and consider the current response to the risks highlighted.

**Date 9 June 2015**

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#### **Background Papers:**

Appendix 1 Headline Report

Appendix 2 Service Report on Critical & High Risks