

Agenda Item	7
Report No	AS/11/14

## Risk Management Update and review of corporate risks

### Report by the Head of Internal Audit & Risk Management

#### Summary

This report provides details of the changes made to the process for the identification, management and reporting of corporate risks. In addition, details are provided of the updated corporate risk register as at May 2014 for scrutiny by Members.

## 1. Introduction

- 1.1 The risk management arrangements report provided to Members on 27/03/14 stated that more detailed reporting on the Corporate and Cross-Cutting Risks (now referred to as corporate risks) would be provided following the review of these with the Executive Leadership Team. This review took place on 19/05/14 and this has resulted in a number of changes being made to the process for the identification and management of corporate risks and the information recorded, details of which are provided at section 2 below.
- 1.2 This report also stated that in accordance with Members wishes, improved information would be provided so that they can better perform their risk management and scrutiny duties. A new report template was subsequently produced and agreed with the Committee Chair and this is provided at **Appendix 1**.

## 2. Review of Corporate Risks

- 2.1 A critical review of the corporate risks was undertaken which resulted in the following changes being made:
  - A number of risks both above and below the line were deleted as these were not considered to be risks that required to be managed but “business as usual”. This has resulted in an overall reduction in the number of corporate risks which currently stand at 10 that require to be managed. This compares to 16 last reported to Committee on 28/03/13.
  - The risks have been categorised by “type” and details of these categories are provided at **Appendix 2**. This process allows the clustering of risk types to be undertaken.
  - Target ratings have also been identified for all above the line risks.
  - Whilst the number of risks has been reduced, there has been a significant increase in the number of actions in place to manage these risks.
  - Responsible officers have now been allocated to manage each action and target dates have been set.

As this is the first new style of report it is not possible to provide a detailed comparison with the previous position but this will be provided to subsequent Committee meetings when any changes in position from that last reported will be detailed. All risks are shown on the Risk Profile at **Appendix 3**.

2.2 The following changes have been made to the previous Corporate Risks:

(i) Risks which were deleted as considered to be “business as usual”

Above the line:

THC 3 – implementation of proper procurement processes;

THC 7 – supporting Young Peoples transitions;

THC 8 – integrated health and safety systems;

THC 13 – ICT contract quality & efficiencies.

Below the line:

THC 4 – maximise the benefits of EU funding;

THC 27 – Pathfinder high speed broadband;

THC 28 – High Life Highland Board relationships.

(ii) Changes to risk ratings

THC 17 – new ways of working and changing service delivery has had the risk score increased from C2 to B2 which recognises greater budget constraints within the Council.

THC 22 – information management & security has been reduced from B2 to C2 which recognises the significant work that has been undertaken in this area.

THC 26 – consolidate and sustain integration has been reduced from C2 to D2 to reflect the agreement of the final budget position and the adult services improvement plan. As a result this risk has moved to below the line.

THC 36 – Welfare Reform Act has been reduced from B2 to C2 as a result of the additional sums provided to the Council which helps mitigate a number of the financial constraints which have arisen.

(iii) New risks added to the register

2 new risks, both of which are above the line, have been added:

- THC 6 has been split and this now relates to emergency planning only and a new risk for Business Continuity Planning (THC 39) has been added.
- THC 40 – work force planning.

(iv) Below the line risks

There are presently 2 below the line risks:

- THC 12 – equal pay liability which is presently rated as D2.
- THC 26 – consolidate and sustain integration which as detailed above has now moved to C2.

### 3. Next Steps

3.1 As previously advised to Committee, the planned risk management tasks for the next year consist of the following and updates will be provided to each Committee meeting:

- Establishing a Corporate Risk Management Group which will encompass all risks including ICT and major projects by 30/09/14.
- Revision of the Council’s Risk Management Strategy by 31/12/14.
- Improving the robustness of the process for recording and monitoring Service risks, including ICT and project risks by 31/03/15.

## **Recommendation**

Members are asked to:

- (i) note the new reporting format of the corporate risk register and information provided at Appendix 1 which should ensure greater scope for Member scrutiny of the corporate risks.
- (ii) note the future tasks to be undertaken to continue to improve the Council's risk management process.

Designation: Head of Internal Audit & Risk Management

Date: 11<sup>th</sup> June 2014

Author: Donna Sutherland, Audit & Risk Manager

Background Papers [ASC report AS-3-14](#) dated 27/03/14.

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Director of Development & Infrastructure	Financial & Physical	C2	D2		
Risk No. & Details					
<b>THC 2 – If the Council does not rationalise property assets there will be too much money tied up in fixed assets, their poor condition will mean they are not fit for purpose and running costs, including carbon emissions, will be excessive.</b>					
<b>Action Information:</b>					
A number of office rationalisation projects are being undertaken within different areas under the overall control of the Director of Development & Infrastructure. Each project, except Inverness which is in the early stages, has a Project Board which meets on a regular cycle with the Director reviewing progress. The present projects and their milestones are detailed below:					
Action No. & Details		Responsible Officer		Target Date	
THC 2.1 - Delivery of new Council office in Wick.		Ward Manager Thurso, Wick & Landward Caithness		March 2015	
THC 2.2 - Refurbished building for staff in Dingwall.		Project Manager, Dingwall Office Project		December 2014	
THC 2.3 - Project Manager to be appointed for the Fort William office project.		Director of Development & Infrastructure		June 2014	
THC 2.4 - Letting of construction contract for Kingussie project		Ward Manager (Nairn, Badenoch & Strathspey)		September 2014	
THC 2.5 - Options appraisal paper to be produced for Inverness office project		Director of Development & Infrastructure		December 2014	

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Chief Executive	Customer/ Citizen	C2	C2		
<b>Risk No. &amp; Details</b>					
<b>THC 6 – If the Council is unable to plan and training is insufficient for an emergency, then there is the risk that we do not mitigate the impact upon our communities or recover quickly enough.</b>					
<b>Action Information:</b>					
<b>Action No. &amp; Details</b>		<b>Responsible Officer</b>	<b>Target Date</b>		
THC 6.1 - Embedding the new emergency planning measures included in the Partnership Agreement with NHS Highland, addressing health and social care responsibilities and policies.		Director of Care & Learning	Ongoing		
THC 6.2 - Operational plans are in place to deal with disruption from severe weather including snow, flooding, high winds and landslides which impact on the Council's infrastructure, including roads, bridges, buildings and marine structures.		Director of Community Services	Completed		
THC 6.3 - An out of hours emergency call service is in place together with stand-by systems which provides a first level response out with normal working hours.		Director of Community Services	Completed		
THC 6.4 - A training and exercising regime is maintained to provide relevant staff with the skills and knowledge they may need in a response to a major incident.		Emergency Planning and Business Continuity Manager	Ongoing		

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Director of Corporate Development	Financial & Customer/ Citizen	B2	D2		
Risk No. & Details					
<b>THC 17 - If the Council does not design and support staff in new ways of working, then budget challenges will lead to cuts in services.</b>					
<b>Action Information:</b>					
Action No. & Details			Responsible Officer	Target Date	
THC 17.1 - The CIP programme is being delivered and remains on target with strong management and political governance to ensure it delivers the agreed outcomes.			Programme Manager	March 2015	

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Director of Corporate Development	Technological & Legal	C2	D2		
Risk No. & Details					
<b>THC 22 - If the Council does not comply with Information Management and Security requirements then there is a risk that personal or financial data could be compromised.</b>					
<b>Action Information:</b>					
Action No. & Details			Responsible Officer	Target Date	
THC 22.1 - The Council continues to develop & implement its approach to information management & security and address the actions from the Information Commissioner's report.			Head of Digital Transformation	March 2015	
THC 22.2 - The Council will review its Information Management Strategy annually in October of each year.			Head of Digital Transformation	October 2014	

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Head of Policy & Reform	Customer/ Citizen	C2	D3		
Risk No. & Details					
<b>THC 23 - If the Council does not engage effectively with its partners then it will not capitalise upon the benefits of improved community working and resilience.</b>					
<b>Action Information:</b>					
Action No. & Details			Responsible Officer	Target Date	
THC 23.1 - Review of community planning arrangements and how they relate to new Audit Scotland inspection regime.			Head of Policy & Reform	October 2014	

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Legal	C2	D3		
<b>Risk No. &amp; Details</b>					
<b>THC 35 - If a short and medium term budget strategy is not developed then the Council will not be able to set a balanced budget by February 2015.</b>					
<b>Action No. &amp; Details</b>				<b>Responsible Officer</b>	<b>Target Date</b>
The actions below relate to the preparation of a longer term budget through to 2018/19. Financial modelling has produced a roll forward budget for financial years 2015/16 to 2018/19 and a budget gap of £62.7m has been identified. Transformational initiatives along with traditional Service savings will be worked up to produce balanced budgets within and across the financial years.					
THC 35.1 - Initial consultation to shape the budget setting priorities undertaken in consultation with the Executive Leadership Team (ELT) and the Administration Group.				Head of Accounting & Budgeting	June 2014
THC 35.2 - Report to Council on 26/06/14 on progress with setting the budget.				Director of Finance	June 2014
THC 35.3 - Development of Transformational Opportunities by the ELT.				Head of Accounting & Budgeting	June 2014
THC 35.4- Identification of Service Savings Proposals by all Service Directors.				All Directors	June 2014
THC 35.5 – Second consultation focussing on the detailed projections and service impacts with the ELT and Administration group.				Head of Accounting & Budgeting	November 2014
THC 35.6 – Budget agreed by Council.				Director of Finance	February 2015



Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Customer/ Citizen	C2	D3		
Risk No. & Details					
<p><b>THC 36 - If the Council does not address and manage the impact of changes arising from the Welfare Reform Act this will be to the detriment of our communities. Changes include reduction in Council income from DWP subsidy and lower entitlements for claimants leading to hardship for many customers and possible increased rent arrears. In so far as arrears are not mitigated by specific measures (e.g. Discretionary Housing Payments), this will pose a threat to landlords generally and the Council's ability to provide and maintain social housing. The wider consequences will be many millions of pounds taken annually out of the local economy, and increased demands upon local services.</b></p>					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 36.1 - Continue Finance Service involvement at Scottish and UK level around the design and implementation of Universal Credit as only live site in Scotland.			Director of Finance	March 2017	
THC 36.2 - Lobby for policy and procedural improvements; also adequate administration subsidies and welfare mitigation funding.			Director of Finance	March 2017	
THC 36.3 - Work closely through COSLA and with Scottish Government to ensure rural challenges are recognised.			Director of Finance	March 2016	
THC 36.4 - Provide Local Support Services through Universal Credit Service Delivery Agreement with DWP. (This is already in place but support will expand until March 2017.)			Director of Finance	March 2017	
THC 36.5 - Provide financial resources to internal Money Advice and Income Maximisation teams, and Citizen Advice Bureaus locally for advisory services and appropriate levels of assistance to local customers. (Already in place but demand led to March 2017).			Director of Finance	March 2017	
THC 36.6 - Minimise financial risks through effective use of Council's own aggregate Welfare Fund including Discretionary Housing Payments, Scottish Welfare Fund monies, and Council Tax Reduction, and source third party funding to augment Council Welfare Reform provision.			Director of Finance	March 2017	
THC 36.7 - Represent Council on Board of national Money Advice Project in order to influence future developments.			Director of Finance	March 2016	
THC 36.8 - Provide oral and written evidence as necessary to both Parliaments on welfare issues. (Oral evidence provided at the Local Government and Regeneration Committee on 28/05/14.)			Director of Finance	March 2017	

THC 36.9 - If and when customers with housing costs migrate across to Universal Credit, put new support structure in place changing the nature of the Council's involvement from one of administration of Housing Benefit to mitigation of Universal Credit.	Director of Finance	March 2015
THC 36.10 - Maintain legacy systems in parallel with Universal Credit into the future.	Director of Finance	March 2022

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Director of Corporate Development	Financial & Technological	C2	D2		
Risk No. & Details					
<b>THC 38 - If the ICT re-provision does not meet the requirements of the Council or its Services, or if the budget available makes these unaffordable then the Council will not achieve the expected benefits from the new contract arrangements.</b>					
<b>Action Information:</b>					
Action No. & Details			Responsible Officer	Target Date	
THC 38.1 - The Council has established a re-provision programme, with a multi-functional fully resourced team which will manage the work and is on target to conclude by March 2016. The Council has established a clear governance structure for decision making including the establishment of an ICT Members Executive Board with key decisions being taken by Resources Committee. The project plan and project deliverables are monitored by an ICT Re-provision Board, comprised of Council Directors and Chaired by the Chief Executive.			Head of Digital Transformation	March 2016	

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Director of Community Services	Physical & Technological	B2	D2		
Risk No. & Details					
<b>THC 39 - If our planning and training is insufficient then there is a risk that we do not recover as an organisation or mitigate the risks to service delivery.</b>					
<b>Action Information:</b>					
Action No. & Details			Responsible Officer	Target Date	
THC 39.1 - Service plans need to deal with main risks to key services. These will be based on respective Business Impact Analyses (BIAs). Six of seven BIAs have been completed and these are to be reviewed in the light of structural changes. Once all BIAs have been completed, the SLT will be asked to review and challenge the identified risks.			Emergency Planning and Business Continuity Manager	September 2014	

<b>Risk Information:</b>					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	<b>G</b>
		Current	Target		
Director of Corporate Development	Customer/ Citizen & Professional/ Managerial	C2	D2		
Risk No. & Details					
<b>THC 40 - If the Council is unable to reshape its workforce and still retain, retrain and recruit to meet its skills demands, then there will be a negative impact on service delivery.</b>					
<b>Action Information:</b>					
Action No. & Details			Responsible Officer	Target Date	
<p>THC 40.1 – The report to the Resources Committee on 26/02/14 outlined a number of actions to address workforce planning and the corresponding Audit Scotland report on this subject. These actions are:</p> <ul style="list-style-type: none"> <li>• Provide training and other support for managers on the use of Workforce Planning toolkits and template through Learning &amp; Development.</li> <li>• Deploy HR Service Business Partners to work with each Service to assist with analysis of workforce data and to identify section level plans and the managers responsible.</li> <li>• Service Directors to agree Service Learning Plans to identify and meet development and skills shortage requirements as a result of the workforce analysis. (Plans at Council, Service and Section level should be integrated and presented in a consistent format.).</li> <li>• Share the outcomes of workforce planning across the Council to ensure consistency and flexible use of staff and resources within and across Services.</li> </ul> <p>This will ensure that a consistent approach is taken so that each Service has effective workforce plans in place by April 2015.</p>			Head of People & Performance	April 2015	

**Risk Types:**

<b>Risk Type</b>	<b>Definition - arising from:</b>	<b>Examples include:</b>
Political	the political situation	Political make-up; Stability of political situation; Election cycles; Decision-making structure; Recent/ proposed changes to political structure; Political personalities; Leadership issues.
Economic	the national, local and organisational specific economic situations	Borrowing and lending situations; Interest rates; Strength of investments; Budgetary position;
Social	the national and local demographics and social trends	Key employment sectors (e.g. over reliance on key industries/employers); Poverty indicators; Demand predications; Competition between suppliers and the effect on pricing; Demographic profile; Residential patterns and profile; Health statistics/ trends; Leisure and cultural provision; Crime statistics/ trends; Children at risk.
Technological	technological change and the organisational technological situation	Capacity to deal with technological changes/ e-government targets; Current use of/reliance on technology; Current or proposed technology partners; State of architecture; Current performance and reliability; Security and standards.
Legislative/ Regulatory	current and potential legal changes and the organisation's regulatory environment	Preparedness for new legislation and regulations – including Europe; Exposure to regulators (auditors/inspectors); Commitment to 'Best Value'; Responsiveness to criticism.
Environmental	inherent issues concerned with the physical environment	Nature of environment; Land use; Pollution issues; Exposure to drainage problems/ flooding/ erosion/ subsidence/ landslip; Traffic problems/ congestion.
Competitive	the organisation's competitive spirit and the competitiveness of services etc.	Position in league tables; Relationships with neighbours and partners, e.g. competitive or collaborative; Plaudits held/ sought; Success in securing funding; Nature of service provision; Competition for service users.
Customer/ Citizen	the need to meet current and changing needs and expectations of customers and citizens	Extent and nature of consultation with/ involvement of community; Relationship with community leaders, tenant groups and 'opposition' groups; Community needs v Organisational objectives; Visibility of services; Service delivery feedback/ complaints.

<b>Risk Type</b>	<b>Definition - arising from:</b>	<b>Examples include:</b>
Professional/ Managerial	the need to be managerially and professionally competent	Views arising from peer reviews, consultancy reviews and internal audit; Professional/ managerial standing of key officers; Stability of officer structure/ management teams; Organisational competency and capacity; Individual competency and capacity; Performance management structure; Key staff changes and personalities.
Financial	the financial planning and control framework	Financial situation of authority; Level of reserves; Adequacy of grant settlements; Budgetary policy and control; Delegation of budget and financial disciplines; Monitoring and reporting systems; Use and sustainability of other sources of income.
Legal	possible breaches of legislation	Legal challenges and claims; Adequacy of legal support; Boundaries of corporate & personal liabilities; Sufficient reserves to defend legal challenge; Damage to reputation arising from legislation breach.
Partnership/ Contractual	partnerships and contracts	Key strategic partners; Accountability frameworks and partnership boundaries; PFI/ PPP schemes; Any other large scale projects involving joint ventures; Outsourced services; Relationships with contractors; Procurement arrangements/ contract renewal policy.
Physical	physical hazards associated with people, buildings, vehicles, plant and equipment	Nature and state of asset base including record keeping; Commitment to health, safety and well-being of staff, partners and the community; Accident record keeping; Maintenance practices; Responsibility as managers.

**Risk Profile:**

Highland Council – Corporate Risk profile – May 2014

Likelihood ↑	A				
	B			TH17, THC39	
	C			THC2, ,THC6, THC23, ,THC35, THC36, THC38, THC 40	
	D				
	E				
	F				
		IV	III	II	I
		Impact →			

**Likelihood:**

- A Very high
- B High
- C Significant
- D Low
- E Very low
- F Almost impossible

**Impact:**

- I Catastrophic
- II Critical
- III Marginal
- IV Negligible

