

Agenda Item	7
Report No	AS/29/14

Six-monthly review of corporate risks and risk management update

Report by the Head of Audit & Risk Management

Summary

This report provides details of the six-monthly review of the corporate risks by the Executive Leadership Team (ELT) and other risk management activities.

1. Introduction

- 1.1 The corporate risks should be reviewed on a six-monthly basis and this was undertaken by the ELT on 20/10/14. The resultant changes are outlined at section 2.1 below.

2. Review of Corporate Risks

- 2.1 The following changes have been made to the risk register and the amended version is provided at **Appendix 1**.

(i) New above the line risks added:

2 new risks have been identified; THC41 (sustainable communities) and THC42 (holiday pay). The first risk links with the new Community Empowerment Bill which was discussed at the Council meeting on 30/10/14. The second risk is in response to an Employment Appeal Tribunal that overtime should be included in holiday pay and claims can be backdated. Whilst this ruling is expected to be appealed it is recognised that this is a potential financial risk to the Council.

No risks have been removed so this means that there are now 12 above the line risks compared to 10 reported to the June Committee. There have been no changes to the risk ratings other than to reflect the new format (see section 3).

(ii) New actions added:

The actions recorded against risk THC2 (too many fixed assets) previously only included rationalisation of office buildings whereas it is recognised that this risk is wider. Therefore, it has been expanded to include the planned rationalisation of depots and stores within Community Services. Work is presently on-going to identify the changes arising from the Care and Learning Service's Sustainable School Estate Review in order that the relevant actions can also be added to the risk register.

(iii) Changes to actions:

Details of any changes to actions since the last report to Committee are provided in the update section. These have resulted from the addition of new actions or revisions to the original target dates.

(iv) New below the line risks added:

THC43 (SWAN contract) which recognises that if one or more of the key partners withdraw from the shared service in 2020 then the shared service costs could increase for the Council.

Again, no below the line risks were removed so there are now 3 risks compared

to 2 reported in June (THC 12 (equal pay liability) and THC26 (consolidate and sustain integration)).

3. Other Risk Management Activity

3.1 Changes to risk ratings

In addition to reviewing the corporate risks, the ELT agreed a change to the format of the risk ratings. Under the previous system the risk likelihood was scored using the letters A – F (Very high to Almost impossible) with the impact scored from I – IV (Catastrophic to Negligible). This scoring has now been reversed to make this more easily understood with the basic premise that the higher the lettering and/ or numbering, the higher the risk score. This means that previously AI was the highest possible risk and this will now be F4. The current risk profile with the new risk scores is provided at **Appendix 2**.

3.2 The remaining planned risk management tasks for the rest of the year are:

- 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 scrutinise the corporate risk register provided at **Appendix 1** and consider and note the revised format of the risk profile at **Appendix 2**.

Designation: Head of Audit & Risk Management

Date: 6th November 2014

Author: Donna Sutherland, Audit & Risk Manager

Background Papers

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Development & Infrastructure (2.1 – 2.5), Director of Community Services (2.6)	Financial & Physical	C2	D2		
Risk No. & Details					
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.					
Action Information:					
<u>Rationalisation of offices:</u> 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 - Delivery of new Council office in Fort William.		Senior Ward Manager, RSL		May 2017	
THC 2.4 - Delivery of new Council office in Kingussie.		Ward Manager (Nairn, Badenoch & Strathspey)		September 2015	

THC 2.5 - Options appraisal paper to be produced for Inverness office project.	Director of Development & Infrastructure	December 2014
<p><u>Rationalisation of depots and stores</u> As part of the changes arising from the Service restructuring, the Director of Community Services has initiated a review of the number of strategic depots and stores with a view to reducing these.</p>		
Action No. & Details	Responsible Officer	Target Date
THC 2.6 - Reducing number of strategic depots and stores	Performance & Building Maintenance Manager/ Head of Roads & Transport	March 2018
Update:		
<p>THC 2.4 – the previously reported action relating to the letting of the contract has been completed and the target date shown is now the delivery date for the new office. THC 2.6 – new action added in respect of the review of depots and stores.</p>		

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Customer/ Citizen	C2	C2		
Risk No. & Details					
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.					
Action Information:					
Action No. & Details		Responsible Officer	Target Date		
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		

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Financial & Customer/ Citizen	B2	D2		
Risk No. & Details					
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.					
Action Information:					
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	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Technological & Legal	C2	D2		
Risk No. & Details					
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.					
Action Information:					
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	March 2015	
Update:					
THC 22.2 – the original date has slipped from October 2014 to March 2015.					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Head of Policy & Reform	Customer/ Citizen	C2	D3		
Risk No. & Details					
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.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 23.1 - Review of partnership arrangements; including the organisation of inspection processes and development of Community Learning and Development and Community Development plans.			Head of Adult Services	September 2015	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Legal	C2	D3		
Risk No. & Details					
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.					
Action No. & Details			Responsible Officer	Target Date	
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 35.5 – Second consultation focussing on the detailed projections and service impacts with the ELT and Administration group.			Head of Accounting & Budgeting	Completed	
THC 35.6 – Budget agreed by Council.			Director of Finance	December 2014	
Update:					
As reported to Committee in September, actions 35.1 – 35.4 have been completed. In addition, action 35.5 was completed on time last month. THC 35.6 – this date has been revised from November to December 2014 to allow for the results of the budget survey to be fed into the process.					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Customer/ Citizen	C2	D3		
Risk No. & Details					
<p>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.</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 2017	
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 2017	
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 2017
THC 36.10 - Maintain legacy systems in parallel with Universal Credit into the future.	Director of Finance	March 2022

Risk Information:				
Risk Owner:	Risk Type:	Risk Rating:		RAG:
		Current	Target	G
Depute Chief Executive & Director of Corporate Development	Financial & Technological	C2	D2	
Risk No. & Details				
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.				
Action Information:				
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	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Community Services	Physical & Technological	B2	D2		
Risk No. & Details					
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.					
Action Information:					
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	January 2015	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Customer/ Citizen & Professional/ Managerial	C2	D2		
Risk No. & Details					
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.					
Action Information:					
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"> • Provide training and other support for managers on the use of Workforce Planning toolkits and template through Learning & Development. • 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. • 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.). • Share the outcomes of workforce planning across the Council to ensure consistency and flexible use of staff and resources within and across Services. <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 Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Legislative/ Regulatory & Customer/ Citizen	C3	D3		
Risk No. & Details					
THC 41 - If communities do not develop the capacity to participate in services and become more resilient and/or the Council is unable to match their expectations, then the objectives of the Council's Programme and its budget assumptions will not be met.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 41.1 – The Council needs to clarify its thinking and develop a strategy for dealing with the needs and expectations of communities.			Chief Executive	March 2015	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Financial	E3	E2		
Risk No. & Details					
THC 42 - If there are a large number of claims for holiday pay then this will result in additional financial costs to the Council.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 4.21 – Supporting the current national discussions which aim to get a national collective agreement. Continue to analyse current additional pay elements and prepare for local discussions with the trade unions should the national talks break down.			Head of People & Performance	April 2015	

Risk Profile:

Highland Council – Corporate Risk profile – October 2014

Likelihood ↑	F				
	E			TH17, THC39, THC42	
	D		THC26	THC2, ,THC6, THC 22, THC23, THC35, THC36, THC38, THC 40, THC41	
	C		THC43	THC3	
	B				
	A				
		1	2	3	4
		Impact →			

Likelihood:

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

Impact:

- 4 Catastrophic
- 3 Critical
- 2 Marginal
- 1 Negligible

