

The Highland Council

Audit & Scrutiny Committee – 29th September 2016

Agenda Item	8
Report No	AS/16/16

Six-monthly review of corporate risks

Report by Audit & Risk Manager

Summary

This report provides details of the latest review of the corporate risks by the Executive Leadership Team (ELT).

1. Introduction

- 1.1 The corporate risk register has been recently reviewed by the ELT and the results of this review are provided within section 2 below.

2. Review of Corporate Risks

- 2.1 A number of changes have been made to the risk register, as detailed below, and the amended register is provided at **Appendix 1**.

(i) Above the line risks:

There are now 13 above the line risks due to the following changes:

Risk THC 39 – disaster recovery and business continuity planning has been removed from the register as the required actions to address this have been completed and this is now being dealt with as business as usual.

2 new risks have been added relating to the loss of EU funding as a result of Brexit (THC 48) and concerns about the affordability and capacity within Council's capital programme in relation to the schools estate (THC 49).

Some of the risk information has been updated but this is clearly shown within the update section. It is recognised that a number of risks are linked so this information has also been recorded and the appropriate cross-references provided.

Details of the risk profiles can be found at **Appendix 2** and this includes the increased risk rating for the new ICT contract (THC 38) which has been amended from D3 to E3.

(ii) 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 completion of existing actions, the addition of new actions and revisions to target dates. The responsible officer information has also been updated to reflect changes which have arisen following officers leaving due to Voluntary Severance.

No changes have been made to the 5 below the line risks.

3. Implications

- 3.1 The risk management process reduces the Council's exposure to risk by ensuring that the corporate risks identified are actively managed. There are no Resource, Legal, Equalities, Climate Change/ Carbon Clever, Gaelic or Rural implications arising from this report.

Recommendation

Members are asked to:

- (i) Scrutinise the corporate risk register provided at **Appendix 1** and consider the risk profile at **Appendix 2**.
- (ii) Note that the next review of the corporate risks will be reported to the March 2017 Committee.

Designation: Audit & Risk Manager

Date: 15th September 2016

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, 2.7), Director of Community Services (2.6)	Financial & Physical	D3	C3		
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 2.3 - Delivery of new Council office in Fort William.		Senior Manager	Ward	May 2017	
THC 2.4 - Delivery of new Council office in Kingussie.		Ward Manager		June 2016	
THC 2.5 - Options appraisal paper to be produced for Inverness office project.		Director of Development & Infrastructure		June 2017	
THC 2.7 – Reducing the number of administrative offices across the Council.		Director of Development & Infrastructure		On-going	

Rationalisation of depots and stores

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. The Redesign Board has an interest in this review and for the scope to be widened to include shared services with partners especially for fleet maintenance and it seeks the potential for running services more commercially to be explored.

Action No. & Details	Responsible Officer	Target Date
THC 2.6 - Reviewing the operations of strategic depots and stores	Head of Housing & Building Maintenance/ Head of Roads & Transport	March 2018

Update:

THC 2.4 – this action has now been completed with delivery of the new office in August 2016. Council staff have relocated from the other offices to the new building with services being delivered from 19th September.

THC 2.5 – date has been changed from December 2016 to June 2017.

New action THC 2.7 has been added.

The scope for the rationalisation of depots and stores has been expanded to reflect the change in emphasis as requested by the Redesign Board.

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Customer/ Citizen	D3	D3		
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	On-going	
THC 6.5 – The provision of training and undertaking exercises is an on-going part of the remit of Emergency Planning.			Emergency Planning and Business Continuity Manager	On-going	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Financial & Customer/ Citizen	E3	C3		
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. (This risk also links with THC 43 – SWAN project).					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 17.2 The Council in December 2014 agreed a programme of work to deliver new ways of working and transformational savings of £18M over next 4 yrs.			Head of People & Transformation	March 2017	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Acting Head of Policy	Customer/ Citizen	D3	C2		
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. (This risk also links with THC 41 – Capacity and resilience of communities).					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 23.2 - The Council and the 4 other named bodies with a shared responsibility for community planning must agree how it will facilitate community planning and meet the new duties from the Community Empowerment Act (2015).			Acting Head of Policy	December 2016	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Legal	E3	C2		
Risk No. & Details					
THC 35 - If a short and medium term budget strategy is not reviewed and updated then the Council will not be able to set a balanced budget by February 2017 and will not be in a position to address further financial challenges in the years following. (This risk also links with THC 44 - Redesign of the Council).					
Action No. & Details			Responsible Officer	Target Date	
THC 35.12 - Assess and model funding implications arising from the Local Government Finance Settlement.			Director of Finance	December 2016	
THC 35.13 – Prepare and present 3 year budget for the period 2017/18 to 2019/20.			Director of Finance	February 2017	
THC 35.14 - Budget agreed by Council.			Director of Finance	February 2017	
THC 35.15 - The Redesign Board is make proposals for the Council, feeding into the budget process for December 2016 and for March 2017 to propose changes to the structure and management of Council operations.			Chief Executive	March 2017	
Update:					
New actions 35.14 and 35.15 have been added.					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Customer/ Citizen	D3	C2		
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.		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 - Provide oral and written evidence as necessary to both Parliaments on welfare issues.		Director of Finance	March 2017		
THC 36.4 - Work closely through COSLA and with Scottish Government to ensure rural challenges are recognised.		Director of Finance	March 2017		
THC 36.5 - 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 36.6 - Provide financial resources to the internal Welfare Support team, 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 36.7 - 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 36.8 - Represent Council on Board of national Money Advice Project in order to influence future developments.	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
THC 36.11 - Use the Welfare Fund to mitigate against the impact of welfare reform. Proposals developed through the Member working group and agreed at Resources Committee. (Note the fund is not recurring).	Head of Policy & Reform	March 2017
THC 36.12 - New ESF programmes under development with 2 streams to support people into employment.	Head of Policy & Reform/ Economy & Regeneration Manager	March 2022
THC 36.13 – The Community Planning Partnership (CPP) is reviewing partner impact on reducing inequality and acting preventatively.	Director of Care & Learning/ Director of Finance/ Head of Policy & Reform	March 2018
THC 36.14 - The Council's welfare reform group and health inequalities group of the CPP have agreed an approach to understanding the experience of those affected by poverty by carrying out local research supported by the UHI Centre for Remote and Rural Studies. This will inform how to adapt and join up services to support people better.	Head of Policy & Reform/ Head of Improvement NHSH	December 2016

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Financial & Technological	E3	C3		
Risk No. & Details					
THC 38 - If the Council fails to successfully resource and manage the transition process to the new ICT provider and/ or implement the new arrangements then it will not achieve all expected benefits from the new contract. (This risk also links with THC 43 – SWAN project).					
Action Information:					
Action No. & Details		Responsible Officer	Target Date		
THC 38.2 - The Council has established a Transition Programme to manage the move to the new ICT Contracts by end of March 2017. A team is in place within ICT Services to manage the process, led by the Head of Digital Transformation, and all services are engaged in the Programme. In addition to this the Care & Learning Service has established an ICT Curriculum Board to manage the process of moving to a new model of ICT Delivery for learning and to ensure schools are prepared for the commencement of roll-out of new 121 devices from August 2017. There are also a number of dependencies on other projects within ICT including the completion of the transition of the Wide Area Network to SWAN and the Network Refresh within council premises.		Head of Digital Transformation	March 2017		
THC 38.3 - Direct link to Director of Finance to ensure on-going review of the ICT budget and financial risks to ensure these are monitored on an on-going basis. Also, a review of the financial coding structure will be undertaken to ensure all component elements of the new Contract are managed appropriately.		Director of Finance	March 2017		

Update:

The risk details have been amended to reflect the fact that the Council has now signed a new contract for ICT Services and this now relates to the successful implementation of the new arrangements.

The current risk rating has been increased from D3 to E3. This reflects the loss of a number of key members of staff which will result in lack of continuity from the procurement through to implementation.

Action THC 38.1 with regard to the ICT re-provisioning has been completed. New actions THC 38.2 and THC 38.3 have been added to address the amended risk.

Risk Information:

Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Legislative/ Regulatory & Customer/ Citizen	D3	C3		

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. (This risk links with THC 23 – Effective engagement with partners and THC 44 – Redesign of the Council).

Action Information:

Action No. & Details	Responsible Officer	Target Date
THC 41.1 – The Council needs to further develop a strategy for dealing with the needs and expectations of communities.	Chief Executive	March 2017

Update:

THC 41.1 – this date has been amended from June 2016 to March 2017 as this links in with the work on the redesign of the Council (risk THC 44).

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Technological	D3	C3		
Risk No. & Details					
THC 43 – If the transition to SWAN is delayed beyond March 2017 then this will impact upon the successful implementation of the new ICT contract as this is dependent upon the new network and infrastructure being in place. (This also links with risks THC 17 – New ways of working and THC 38 – New ICT contract)					
Action Information:					
Action No. & Details		Responsible Officer		Target Date	
THC 43.1 - continue to manage the transition with Capita to ensure that any delay is kept to a minimum, mitigating increased costs and loss of savings.		Head of Digital Transformation		March 2017	
Update:					
The risk details have been amended to reflect that this is more than a financial risk now and links in with the successful implementation of the new ICT contract (see risk THC 38).					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Financial	D3	C3		
Risk No. & Details					
THC 46 – If the agreed budget savings of £40 Million are not delivered then this may impact upon the Council’s ability to achieve a balanced budget for 2016/17.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 46.1 – the Resources Committee will receive regular reports on savings achieved and projected. In the event that there is slippage alternative savings will be proposed. The Council’s Executive Leadership Team will manage and monitor the delivery of the programme.			Chief Executive	March 2017	

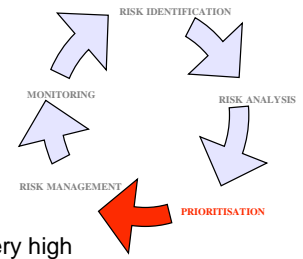
Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Financial	D3	C3		
Risk No. & Details					
THC 47 – The significant reduction in the workforce arising from the Voluntary Redundancy Scheme will reduce the capacity available to deliver services, sustain performance and progress Council priorities. (This links with risk THC 44 – Redesign of the Council).					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 47.1 - this is linked with risk THC 44 on the redesign of the Council where approval for the approach to be followed will be sought from the Highland Council meeting on 24/03/17.			Chief Executive	March 2017	

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Development & Infrastructure	Financial	E3	C3		
Risk No. & Details					
THC 48 – The impact of Brexit will result in the loss of EU funding to the Council including CAP, ERDF, ESF and the Leader Programme. If this funding is not provided by the Government, then there is a risk that this will be to the detriment of the economic and social programmes of the Council and its partners.					
Action Information:					
Action No. & Details		Responsible Officer	Target Date		
THC 48.1 – The Chief Executive together with the Council Leader will continue lobbying of the UK and Scottish Governments to receive compensating funding.		Chief Executive	March 2020		

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Financial and Professional/ Managerial	E3	D3		
Risk No. & Details					
THC 49 – It is not possible to achieve all necessary improvements to the school estate, due to affordability and capacity constraints on the Council’s capital programme. As a result, there is a risk that this has a negative impact upon the education of children within the Council.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 49.1 – A review of the Council’s capital programme is being undertaken.			Director of Finance	December 2016	
THC 49.2 – This also links with the re-design of the Council.			Chief Executive	March 2017	
THC 49.3 – Ongoing discussion with external partners about alternative models of delivery and funding.			Director of Care & Learning	On-going	

Risk Profile:

Highland Council – Corporate Risk profile –
September 2016



Likelihood ↑	F				
	E	THC 42	THC 17, THC 35, THC 38		
	D	THC 26	THC 2, THC 6, THC 23, THC 36, THC 41, THC 43, THC 46, THC 47, THC 48, THC 49		
	C		THC 12, THC 44, THC 45		
	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