

Agenda Item	3
Report No	AS/15/17

HIGHLAND COUNCIL

Committee: Audit and Scrutiny Committee

Date: 23 November 2017

Report Title: **Six-monthly Review of Corporate Risks**

Report By: Depute Chief Executive/Director of Corporate Resources

1. Purpose/Executive Summary

- 1.1 The Corporate Risk Register identifies the Council's key strategic risks and the actions we are taking to mitigate these. It is reviewed by the Executive Leadership Team every six months and presented to Audit and Scrutiny committee. The Corporate Risk Register requires revision given the challenges facing the Council and the new thinking in, and direction of, the organisation. Therefore the Executive Leadership Team has revised the Corporate Risk Register and it is presented in this report.

2. Recommendations

- 2.1 Members are asked to:
- i. Scrutinise the refreshed Corporate Risk Register provided at Appendix 1, and consider the risk profile at Appendix 2.
 - ii. Note that six monthly reviews of the Corporate Risk Register will continue to be reported each March and September to the Audit and Scrutiny committee.
 - iii. Note that an officer group has been established on corporate risk management

3. Background – Corporate Risk Management

- 3.1 All organisations exist to achieve their objectives and priorities, and the Council is no different. Risks provide potential barriers to the Council achieving its priorities. Corporate risks have the potential to disrupt large parts or the whole of the Council.
- 3.2 The purpose of corporate risk management is to identify potential risks to the Council using organisational knowledge of the internal and external environment. These risks are then analysed to identify their potential likelihood and impact. From this it can be evaluated whether a risk should be accepted or treated, and implement a plan to reduce the likelihood or potential impact of these risks.
- 3.3 Risk management is an essential part of the Council's approach to effective Corporate Governance. The Public Sector Internal Audit Standards requires the Chief Audit Executive (the Corporate Audit Manager) to provide an annual internal audit opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This information is also used to inform the Council's Annual Governance Statement. Effective risk management demonstrates to external assessors such as Audit Scotland that we are a self-aware organisation prepared to respond to changing internal and external factors which might influence or impact on service delivery.
- 3.4 Good risk management practices can support the Council to be ambitious and achieve its priorities. It also supports many of the Council's values, including being open, improving, and delivering.

4. Corporate Risk Register

- 4.1 As part of the risk management process, Highland Council has a Corporate Risk Register. This is reviewed every six months by the Executive Leadership Team, and is then presented to the Audit and Scrutiny committee. Overall responsibility for the Corporate Risk Register sits with the Chief Executive.
- 4.2 The previous six-monthly review of corporate risks was presented to Audit and Scrutiny in March 2017. Since this meeting, the Corporate Risk Register has required revision given the challenges facing the Council and the new thinking in, and direction of, the organisation. Therefore the Executive Leadership Team has revised the Corporate Risk Register, Appendix 1. To do this a range of information was considered including the previous Corporate Risk Register, the knowledge and expertise of the Executive Leadership Team, and considering the risks and challenges for Local Government in Scotland highlighted by the Accounts Commission in the "[Performance and Challenges 2017](#)" report.
- 4.3 There are nine risks listed on the refreshed Corporate Risk Register. For each risk the following information is given:
- Risk name;
 - Risk type;
 - Current and target risk rating;
 - A description of the risk;
 - A risk owner;
 - Mitigating actions (with the responsible officer and target date); and
 - Current RAG status (based on progress to achieve the mitigating actions. As this is a new risk register, there are no RAG statuses at this time. These will be updated for the six monthly review in March 2018).

- 4.4 The current and target risk ratings assigned to these risks are based on the risk matrix, Appendix 2, and have been determined by the Executive Leadership Team.
- 4.5 Any risks which were previously on the Corporate Risk Register and have now been removed are considered as being managed through existing processes and are below the risk appetite line, these are:
- 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
 - 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.
 - 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.
 - 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.
 - 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.
 - THC 43 – If the transition to SWAN and start of the Network Refresh Programme is delayed beyond July 2017 then this will impact upon the successful implementation of the ICT Transformation Programme as this is dependent upon the new network and infrastructure being in place.
 - 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.

5. Next Steps

- 5.1 Reports on the Corporate Risk Register will be presented every six months to the Audit and Scrutiny committee in March and September.
- 5.2 In terms of the wider corporate risk management process in the Council, an officer working group has been established and will meet quarterly, with the first meeting in December 2017. This group pulls together officers from every Service and specialist expertise from across the Council on risk management. The group will fulfil a number of key roles including:
- Sharing business intelligence on risk and disseminating this across the Council;
 - Identifying risks which are common across services and escalate these for consideration on the corporate or Service risk registers;
 - Work collaboratively to resolve any issues related to the Corporate Risk Register referred to the group by Executive Leadership Team;
 - Sharing and disseminating best practice and risk management guidance to Services;
 - Provide a contact point in each Service to support effective risk management; and
 - Reviewing the Corporate Risk Management Strategy.
- 5.3 The Council's Corporate Risk Management Strategy was last refreshed in 2013. A review of this strategy is currently being undertaken, working with Zurich Risk Engineering which is being funded from the risk management fund the Council holds with Zurich Municipal. A refreshed Corporate Risk Strategy will be presented to the Audit and Scrutiny committee at the earliest opportunity.

6. Implications

- 6.1 Resource: Having a robust approach to risk management can continue to help the Council minimise future financial risks and implications.
- 6.2 Legal: The Corporate Risk Register supports the Chief Audit Executive (the Corporate Audit Manager) to provide an annual internal audit opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 6.3 Community (Equality, Poverty and Rural): Having a Council which is resilient to risk means that it is better positioned to support its communities. Some of the actions detailed on the refreshed register will reduce the likelihood and potential impact of risks affecting our communities.
- 6.4 Climate Change / Carbon Clever: Corporate Risk 7 concerns ensuring that the Council adapts and builds resilience in itself and its communities to address vulnerabilities to the potential effects of climate change. Corporate Risk 9 also highlights the need to rationalise property assets and to make sure buildings are fit for purpose, which will reduce the Council's carbon emissions.
- 6.5 Risk: The corporate risk management process reduces the Council's exposure to risk by ensuring that corporate risks are identified and proactively managed.
- 6.6 Gaelic: There are no Gaelic implications identified at this time.

Designation: Depute Chief Executive/Director of Corporate Resources

Date: 30.10.2017

Author: Stephen Carr, Corporate Performance Manager

Background Papers: [Six-monthly review of corporate risks, Audit and Scrutiny Committee, 02 March 2017](#); [Performance and challenges 2017, Accounts Commission](#).

Appendix 1: Refreshed Corporate Risk Register

CR1	Financial Sustainability	Risk Rating		RAG		
		Current	Target			
Risk Owner: Director of Corporate Resources		Risk Type: Financial		A2	C2	
<p>The Council faces a range of financial challenges, both revenue and capital, and we need to be able to plan and meet these challenges so that we can continue to deliver effective services and achieve all the priorities that we wish to. We will also need to act more commercially as an organisation to ensure this financial sustainability.</p>						
Mitigating Actions:				Responsible Officer	Target Date	
CR1.1	Budget Setting: Our financial approach was agreed at a Council meeting in September 2017 and quarterly progress updates will be presented to future Council meetings. The 2018-19 budget setting process is underway as well as the identification of potential savings for subsequent years.			Head of Corporate Finance and Commercialism	February 2018	
CR1.2	Multi-year Budgets: Our financial approach is based on considering a range of different scenarios to address uncertain grant settlements and other external factors. A key part of the approach is looking at multi-year budgets with the flexibility to accelerate or slip actions as conditions change. External factors, including anticipated funding levels, will be reviewed every three months.			Head of Corporate Finance and Commercialism	Ongoing	
CR1.3	Capital Programme Review: We are reviewing our capital programme to try to balance service need with affordability. Revenue budget implications of capital investment need to be clearly articulated and incorporated into revenue budget planning.			Head of Corporate Finance and Commercialism	February 2018	
CR1.4	Budget Savings: The delivery of budget savings is being monitored within Services and reported every three months to respective strategic committees. Overview of all savings delivered will be reported to Corporate Resources committee.			Director of Corporate Resources	Ongoing	
CR1.5	Commercial Board: We are developing a new approach to commercialism with a Commercial Board now established. Work is underway to establish a commercial team within Corporate Resources service.			Director of Corporate Resources	December 2017	

CR2	Security and Resilience	Risk Rating		RAG
		Current	Target	
Risk Owner: Chief Executive		Risk Type: Physical, Technological		
<p>The Council must take all reasonable steps to protect our staff and communities from risks to their safety and security. Our physical buildings and ICT networks and systems must be secure to protect against terrorist and criminal activity. Also, the Council must plan adequately to respond effectively to an emergency, to mitigate the impact upon our communities.</p>				
Mitigating Actions:			Responsible Officer	Target Date
CR2.1	Building Access Policies: All of our Responsible Premises Officers (RPOs) will develop site specific Building Access Policies. These will include evacuation and lockdown plans.		Head of Property Services	March 2018
CR2.2	Emergency Messaging Facility: We will develop a staff (and public) messaging facility to enable emergency alerts.		Communications and Resilience Manager	30 November 2017
CR2.3	Off-site Plans: We will implement Control of Major Accident Hazards (COMAH), and Radiation Emergency Preparedness and Public Information Regulations (REPPiR) off-site plans.		Communications and Resilience Manager	Completed/ Ongoing
CR2.4	General Emergency Plan: We will update the Highland Council General Emergency Plan		Communications and Resilience Manager	March 2018
CR2.5	Business and Continuity Plans: Following the Service restructure in 2017, we will review and test our Service Business Continuity Plans		Service Directors	December 2017
CR2.6	Multi-agency planning and exercising: <ol style="list-style-type: none"> 1. We will continue to fully participate in multi-agency planning and exercising Regional Resilience Partnership (RRP) and Local Resilience Partnership (LRP) for emergencies based on the national risk register 2. We will continue to participate in the multi-agency CONTEST Group as part of the UK government's Counter-terrorism strategy 3. All Emergency Liaison Groups (ELGs) will take part in exercises 		Communications and Resilience Manager	Ongoing Ongoing March 2018
CR2.7	ICT Vulnerability Scans: Wipro, our ICT provider, will manage quarterly vulnerability scans including an annual IT Health Check in support of the Public Sector Network		ICT Operations Manager	Ongoing

	accreditation. This will help to highlight security gaps in the ICT estate. Remediation plans will be instigated in response to any issues identified.		
CR2.8	Cyber Security: Our adherence to the “National Cyber Security Centre 20 Critical Controls ” will be pro-actively monitored. Where security gaps are identified, action plans will be developed to reduce cyber security risk.	ICT Operations Manager	Ongoing
CR2.9	Cyber Accreditation: We will achieve the cyber essentials security accreditation. We expect Scottish Government to set us a target to achieve this by October 2018.	ICT Operations Manager	October 2018
CR2.10	Property Security Audit: We will review the status of physical measures and security arrangements provided in our properties to determine the current baseline of the property estate. This will allow for specific improvements to be identified, costed, and presented to the Executive Leadership Team.	Communications and Resilience Manager	March 2018
<p>Notes: A number of relevant actions to improve security and resilience have been completed in 2017/18 already, these include: Highland Council ID card policy; Building Access policy; Staff messaging policy; and Heavy goods vehicle policy.</p>			

CR3	Legislation that Significantly Changes the Council's Role	Risk Rating		RAG
		Current	Target	
Risk Owner: Executive Leadership Team		Risk Type: Legislative		
<p>There is a risk that if we are unable to influence or adapt well to legislative changes that may have significant implications for the role, responsibilities, and finance of the Council. Key issues at present include the Education Governance Review and the Local Democracy Bill.</p>				
Mitigating Actions:		Responsible Officer	Target Date	
CR3.1	COSLA: We will continue to engage and participate on key legislation through COSLA, professional associations, and with our partners.	Chief Executive	Ongoing	
CR3.2	Education Governance: We will lobby for positive changes to the proposals for Education Governance, including through the Northern Alliance and COSLA.	Director of Care & Learning	Legislative timetable	
CR3.3	Local Democracy Bill: We will influence the potential Bill by engaging with the Scottish Government on their consultation with councils to review local governance, and on any new Bill.	Head of Policy and Reform	By March 2018/Legislative timetable.	
CR3.4	<p>Local Democracy Bill: We will prepare and be ready for potential changes required by the new Bill by:</p> <ul style="list-style-type: none"> Working with Members on defining localism and exploring new ways to widen public participation in Council decisions and in community-run services, by holding a series of workshops to include Community Services' budgets, area budgets, community-run services, participatory budgeting, local priorities, community councils, community partnerships and locality plans. Localism to be a standing item at the Area Chairs meetings. Redefine the ward management role. 	<p>Chief Executive</p> <p>Head of Policy and Reform</p> <p>Chief Executive</p>	<p>December 2017</p> <p>Ongoing</p> <p>End March 2018</p>	

CR4	Brexit	Risk Rating		RAG
		Current	Target	
Risk Owner: Executive Leadership Team		Risk Type: Legislative/ Economic		
<p>Brexit may have a number of impacts on the Council area which need to be proactively managed. Brexit will result in the loss of EU funding which, if not replaced by the Government, may pose a risk to the economic and social programmes of the Council and its partners. Interest rates and exchange rates may be affected by the withdrawal process impacting on the affordability of the Council's capital programme, and restrictions on the free movement of people could lead to skills gaps in the Council, our partner organisations and local businesses. These potential impacts need to be planned for and managed should they arise.</p>				
Mitigating Actions:		Responsible Officer	Target Date	
CR4.1	COSLA: We will continue to engage and participate on key legislation through COSLA, professional associations, and with our partners.	Chief Executive	Ongoing	
CR4.2	Financial Implications: Our financial strategy will include an assessment of the risks associated with Brexit.	Head of Corporate Finance and Commercialism	Ongoing	
CR4.3	Treasury Management: Our Treasury Management strategy will include an assessment of the risks associated with Brexit, and that the maturing debt profile is monitored and managed to avoid exposure to interest rate fluctuations.	Head of Corporate Finance and Commercialism	Ongoing	
CR4.4	Capital Plan: The Capital Plan will include a risk assessment of the cost of borrowing, and it will be reviewed constantly to ensure its continued affordability.	Head of Corporate Finance and Commercialism	Ongoing	
CR4.5	Workforce Strategies: Our workforce strategies will include an assessment of EU workforce dependencies and plans will be in place to maintain service delivery.	Head of People and ICT	Ongoing	
CR4.6	EU Funding: Our budget planning will include an assessment of European Union (EU) funding that can be accessed in order to maximise the degree of service delivery that can be achieved within Council budgets.	Director of Development and Infrastructure	Ongoing until end of EU funding guarantee (anticipated as 2021)	

CR5	Effective Governance in Local Decision Making		Risk Rating		RAG
			Current	Target	
Risk Owner: Head of Corporate Governance			Risk Type: Political, financial, citizen		C3
<p>We need to develop arrangements for effective local decision making and to enable our communities to engage and participate at a local level. We must put in place effective and consistent governance arrangements for local decision making to ensure we are able to fully achieve the priorities of our local communities, while being in alignment with strategic priorities.</p>					
Mitigating Actions:				Responsible Officer	Target Date
CR5.1	Code of Corporate Governance: We will ensure compliance with the seven principles outlined in the Code of Corporate Governance.			Head of Corporate Governance	Ongoing
CR5.2	Standing Orders and Scheme of Delegation: We will review both of these, at least annually to ensure they are fit for purpose			Head of Corporate Governance	Ongoing
CR5.3	Devolved Budgets: We will develop and review policies for minimum standards for devolved budgets as required.			Director of Corporate Resources	Ongoing
CR5.4	Local Participation: We will work with Members in local areas to define localism and to explore new ways to widen public participation in Council decisions and in community-run services.			Head of Policy and Reform	December 2018
CR5.5	Local Partnerships: We will develop and facilitate the work of Community Partnerships as a forum for local partnership priorities and action.			Acting Head of Policy	Ongoing

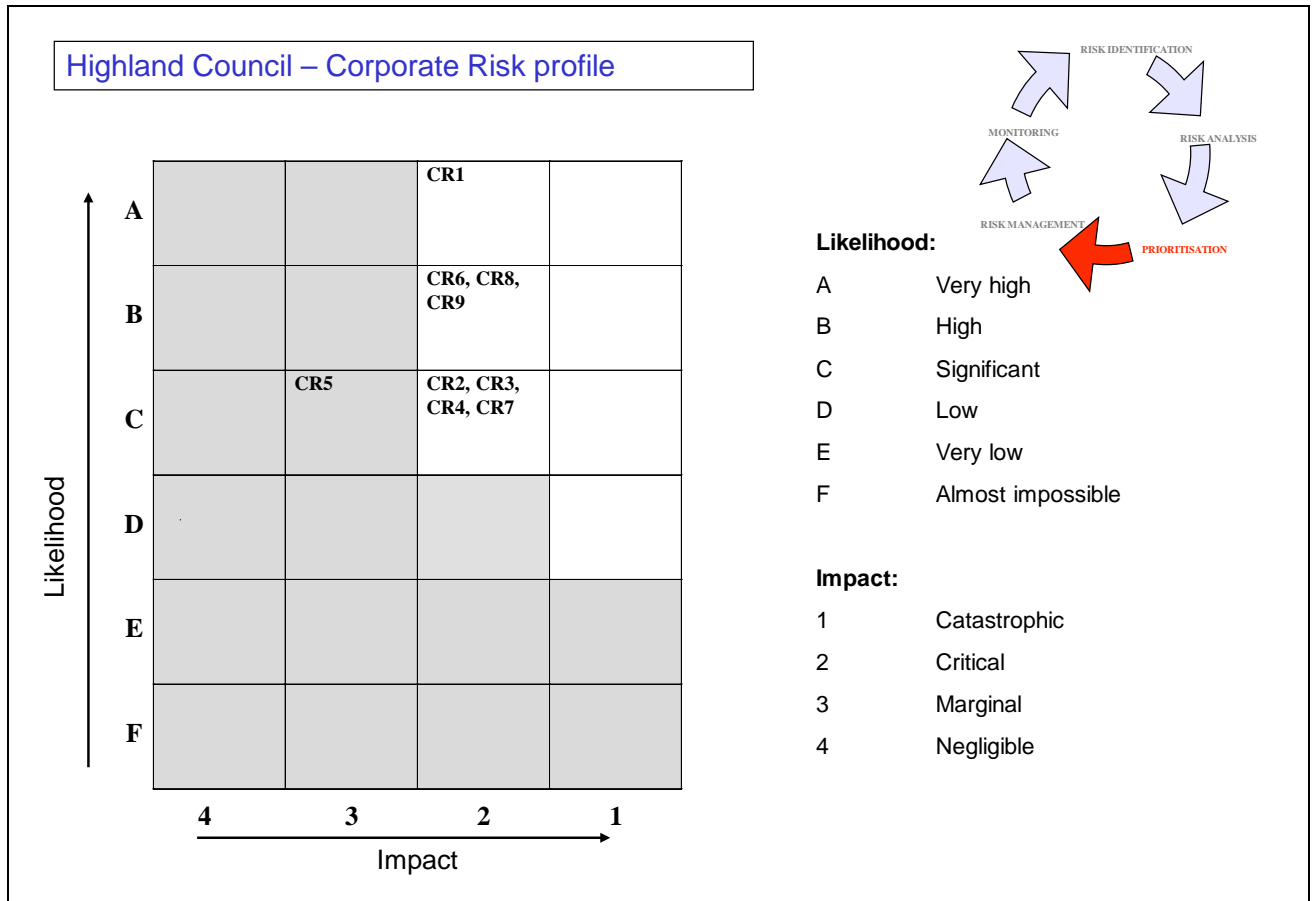
CR6	Workforce Planning	Risk Rating		RAG
		Current	Target	
Risk Owner: Head of People and ICT		Risk Type: Financial		
<p>Our most important resource is our staff, and they are at the centre of the services that we provide. Given the changing nature of the organisation, and the need to reduce the workforce, we need to make sure we continue to have the right people, with the right skills, in the right place at the right time.</p>				
Mitigating Actions:		Responsible Officer	Target Date	
CR6.1	Corporate Workforce Plan: Our service workforce plans will be presented to our strategic committees in October/ November 2017, with the Corporate action plan to be produced by January 2018.	Head of People and ICT	January 2018	
CR6.2	Modern Apprenticeship Programme: We will achieve our ambitious target to build capacity to engage 150 Modern Apprenticeships in Highland Council.	Head of People and ICT	September 2019	
CR6.3	OHSW: We will continue to address the occupational health, safety, and well-being (OSHW) challenges identified through our annual OHSW report with progress monitored quarterly.	Head of People and ICT	Ongoing	
CR6.4	Electronic management system: We will introduce an electronic occupational health, safety, and well-being management system to improve reporting and reduce the risk of sending confidential personal information through the post.	Head of People and ICT	TBD (Dependent on ICT Transformation)	
<p>Notes: Workforce Planning Strategy approved by Corporate Resources committee 30th August 2017. Modern Apprenticeship Programme approved by Corporate Resources committee 30th August 2017.</p>				

CR7	Climate Change	Risk Rating		RAG
		Current	Target	
Risk Owner: Director of Development and Infrastructure		Risk Type: Environmental, Physical		
Climate change presents long term challenges both to the Council and to Highland communities. The Council must adapt and build resilience in itself and its communities to address vulnerabilities to the potential effects of climate change (e.g. changing weather patterns, sea level rise).				
Mitigating Actions:			Responsible Officer	Target Date
CR7.1	Adaptation Strategy: Our climate change adaptation strategy was last updated in January 2012. We will revise this to identify the key climate change risks to the Council and the Highlands, and set out an action plan to address these.		Climate Change Officer	December 2018

CR8	Demographic Change	Risk Rating		RAG
		Current	Target	
Risk Owner: Executive Leadership Team		Risk Type: Social, Customer, Financial		
<p>The population in Highland, its distribution, its demography and the related service demands are changing. The Council must plan and act for these changes to be able to deliver the services that people require. This includes achieving the benefits of an integrated service health and social care service for adults, involving the development of more community based services.</p>				
Mitigating Actions:		Responsible Officer	Target Date	
CR8.1	Partnership Agreement: We will review the Partnership Agreement for integrated services with NHS Highland.	Chief Executive	March 2018	
CR8.2	Local Partnership Plans: We will ensure targets are included in Local Partnership Plans.	Director of Care & Learning	March 2018 and ongoing	
CR8.3	Balance of Care: Push for progress on shifting the balance of care.	Resource Manager (Adult Services)	Ongoing	
CR8.4	Workforce Plans: We will ensure there are sustainable recruitment strategies in our workforce plans.	Service Directors	Ongoing	
CR8.5	Workforce Strategies: Our workforce strategies will include an assessment of changing and increasing demands for services.	Head of People and ICT	March 2018	
CR8.6	Financial Strategy: Our financial strategy will include an assessment of the risks and implications associated with demographic change.	Head of Corporate Finance and Commercialism	March 2018	
CR 8.7	Partnership Working: Work with our partners, principally the Community Planning Partnership, to plan services that are responsive to demographic changes.	Chief Executive	Ongoing	

CR9	Safe and Effective Buildings	Risk Rating		RAG	
		Current	Target		
Risk Owner: Head of Property Services, and Head of Housing and Building Maintenance		Risk Type: Physical, Financial		B2	D2
We need to ensure that our buildings and premises provide safe and effective environments for people who use our services, and our staff. We must rationalise property assets to reduce the amount of money we have tied up in fixed assets, and the associated running costs.					
Mitigating Actions:		Responsible Officer	Target Date		
CR9.1	Corporate Property Strategy: We will implement our Corporate Property Strategy and review our Corporate Property Asset Management Plan. This will help to align our property assets with our goals and objectives.	Head of Property and Facilities Management	March 2018		
CR9.2	Property Review: Following the completion of CR9.1, we will conduct a review of how we can measure condition, suitability and sufficiency of the property portfolio. This will include: a desktop study of existing information; updating of existing condition surveys; procurement of surveys to properties that currently don't have a condition survey; review outcomes and risk profile from surveys; and prioritise findings.	Property Manager	September 2018		
CR9.3	Maintenance programme: Following the completion of CR9.1, we will prepare a programme of works to address backlog maintenance and upgrade property conditions to satisfactory / legislative compliance standards.	Property Manager	September 2018		
CR9.4	Corporate Property Management: Following the completion of CR9.1, we will define arrangements for implementing the corporate property direction including transfer/ alignment of budgets for property improvement.	Head of Property and Facilities Management	September 2018		
CR9.5	Domestic Gas safety: We will ensure annual gas safety check completed for all our domestic properties.	Housing Policy and Investment Manager	Ongoing		
CR9.6	Domestic Asbestos Management: We will monitor and review asbestos management procedures for our domestic properties.	Housing Policy and Investment Manager	Ongoing		
CR9.7	Domestic Fire Safety: We will review and update current fire safety arrangements across all domestic and non-domestic properties.	Director of Community Services	March 2018		

Appendix 2: Refreshed Risk Matrix



Please note the shaded area indicates the Council's current risk appetite. Any risks out with this shaded area are considered above our risk appetite and require active management.