

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Corporate Leadership Team Risk Update

Item number	7.2
Report number	
Executive/routine	
Wards	

### Executive summary

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The risk information attached is the Corporate Leadership Team's (CLT) prioritised risks as at August 2016. It reflects the current highest priority risks of the Council along with the key controls in place to mitigate these risks.

The attached risk summary paper has been challenged and discussed by the CLT and a plan has been developed for further review and scrutiny.

The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Council.

The work to refresh the risk management process will be continued to further enhance the capture and treatment of risk in the Council through the quarterly CLT and Senior Management Team (SMT) Risk Committees.

## Corporate Leadership Team Risk Update

### Recommendations

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- 1.1 To review the attached prioritised risk information for the CLT and to invite relevant officers to discuss key risks as required;
- 1.2 To note that the Finance and Resources Committee was the Executive Committee with main reporting responsibility for Property related matters; and
- 1.3 To request that progress reports on the additional precautionary surveys currently being undertaken in buildings sharing similar design features to those of the PPP1 schools, would be referred to the Governance, Risk and Best Value Committee for scrutiny.

### Background

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- 2.1 The Council's Governance, Risk and Best Value Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The purpose of this report is to provide a quarterly update to the Governance, Risk and Best Value (GRBV) Committee on the key corporate level risks facing the Council.
- 2.2 The CLT last presented its Corporate Risk Register to the GRBV Committee in June 2016.

### Main report

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- 3.1 The CLT risk summary attached in Appendix 1 reflects the current priority inherent risks of the Council and demonstrates the controls to mitigate the risks.
- 3.2 The Risk Committee in August 2016 discussed the impacts upon the Council of Brexit and other political and economic uncertainties. There is clearly an uncertain road ahead and ramifications are speculation at this stage. CEC has established a Brexit response team who will track the political decisions and engage advisors as appropriate going forward. It is thought that one of the most likely immediate impacts would be related to the extensive foreign employee workforce in the city. It was agreed that the Brexit steering group, comprising representation from Strategy, Service Areas and Risk, would update the CLT Risk Committee on a regular basis.

- 3.3 Specific risks relating to PPP1 were discussed. It was agreed that the risk around the timeline for return to schools was no longer a key risk but that in the wake of PPP1 a new risk has now emerged that with increased focus on Council property of a particular construction and accelerated condition surveys across all Council property assets, further issues may be identified that need rectification resulting in disruption for citizens and increased financial burden.
- 3.4 The identification of funding to accelerate condition surveys is a positive measure towards maintaining its capital portfolio. However the overarching risk to the Council is that it does not have sufficient resource to maintain its infrastructure and property portfolios and that risk remains high at a residual level. It is critical that the Council's properties are fit for purpose and meet health and safety standards now and in the future.
- 3.5 The Risk Committee discussed the issue of the CEC and Health Board budgets for the integrated services not yet being agreed and how the affordability of the integrated service could impact the Council. The Chief Officer of the IJB reassured the CLT that extra funding has been earmarked and the risk further eased by savings anticipated to be made through restructuring taking place by December.
- 3.6 Directors agreed that at future Risk Committees they would speak to their Service Area key risk exposures and explain the key actions being taken to mitigate them.
- 3.7 Each CLT risk reported in Appendix 1 has been assigned an indicator to show whether the risk is escalating or decreasing in profile as a result of activity in the quarter.
- 3.8 The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Council. The CLT Risk Register is currently undergoing a refresh involving all members of the CLT.

## Measures of success

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- 4.1 Fully embedded risk management practices should ensure that key risks of the Council are prioritised and relevant action plans are put in place to mitigate these risks to tolerable levels.

## Financial impact

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- 5.1 None.

## Risk, policy, compliance and governance impact

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6.1 Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council.

## Equalities impact

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7.1 None.

## Sustainability impact

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8.1 There is no direct sustainability impact arising from the report's contents

## Consultation and engagement

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9.1 The attached risk summary has been challenged and discussed by the CLT and a plan has been developed for further review and scrutiny.

## Background reading/external references

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None.

## Hugh Dunn

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## Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – CLT prioritised inherent risks at August 2016

# Appendix 1 CLT prioritised inherent risks heat map

## 1. Maintenance of Capital Assets

Risk that the Council does not have sufficient resources to structure and maintain a capital portfolio that is fit for purpose and meets health and safety standards now and in the future.

Profile



## 2. Post PPP1 building surveys (New)

Risk that the inspection reviews commissioned post PPP1 identify further issues that need rectification resulting in disruption for citizens and increased financial burden.



## 3. Cyber Security and Data Privacy

Risk that the Council's ICT infrastructure is overly exposed to cyber-attacks by external parties or former employees who may still have access to Council systems resulting in loss of data and significant reputational damage.



## 4. Integrated Care Programme

Risk over the affordability and delivery of the Adult Social Care, particularly in light of expected demographic changes, could impact the outcomes and care for the people of Edinburgh.



## 5. ICT Infrastructure

Risk that the ICT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council impacting the Council's ability to deliver services as expected and to meet savings targets.



## 6. Transformational Change Agenda

Risk that the Council's transformational change agenda is not implemented effectively and that during the change process business continuity plans are no longer fit for purpose could result in the Council failing to meet service delivery outcomes.



## 7. Savings Targets

Risk that the Council does not generate sufficient savings to meet budgets in the short and longer term resulting in under delivery of key services.



## 8. Planning for Increased Demand

Risk of a lack of strategic planning in relation to increasing demand for critical services, taking into account the growth in the City's population as well as changing demographics, leading to a shortfall in funding and a lower quality of service.



## 9. Public Protection

Risk that the public in general and service users in particular experience harm and/or negative outcomes through either a lack of adequate resource or process failure.



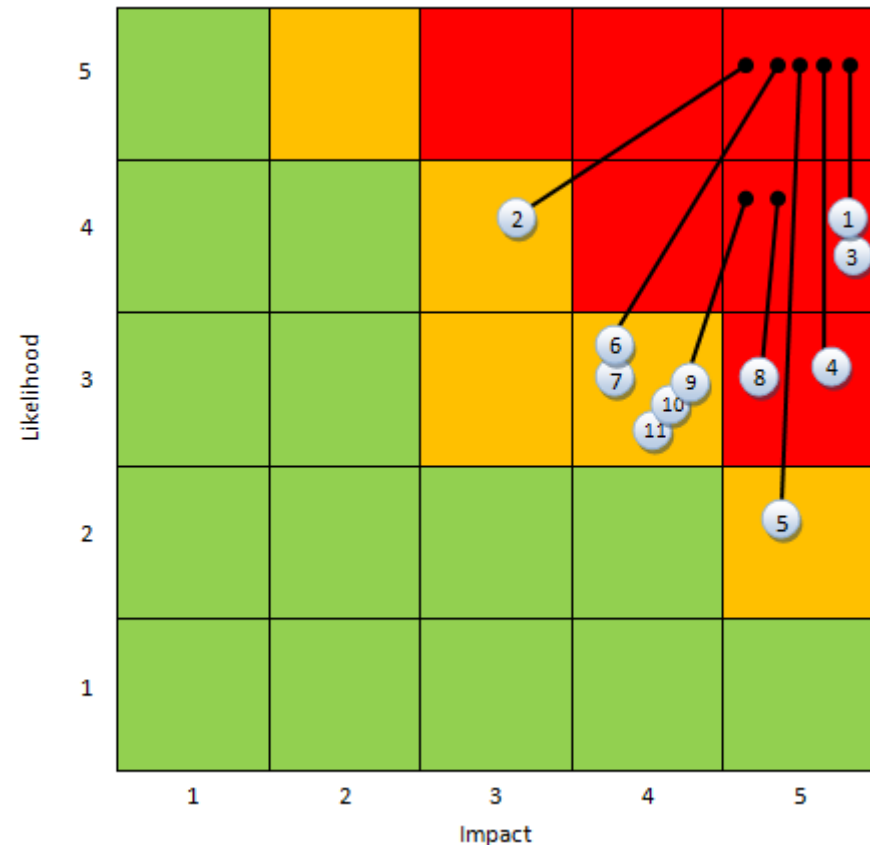
## 10. Workforce Planning

The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.



## 11. Delivering Council Commitments

Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.



# CLT prioritised inherent risks with mitigating actions

Category	Risk Description	Inherent		Current Key Mitigating Controls	Residual		Further Actions
		I	L		I	L	
1	Operational <b>Maintenance of Capital Assets</b> Risk that the Council does not have sufficient resources to structure and maintain a capital portfolio that is fit for purpose and meets health and safety standards now and in the future.	5	5	<ul style="list-style-type: none"> <li>Regular updates on the Asset Management Strategy provided to appropriate Committees include capital and revenue investment requirements across the whole portfolio</li> <li>Condition surveys performed routinely</li> <li>Property Rationalisation work-stream</li> </ul>	5	4	<ul style="list-style-type: none"> <li>Continue response to condition survey requirements</li> <li>Continue to update elected members on resources required for repairs</li> </ul>
2	Operational <b>Post PPP1 building surveys (New)</b> Risk that the inspection reviews commissioned post PPP1 identify further issues that need rectification resulting in disruption for pupils, staff and parents and increased financial burden.	5	5	<ul style="list-style-type: none"> <li>Regular incident management meetings (chaired by Chief Executive) include expert representation</li> <li>Regular liaison between service area, corporate communications, schools and media</li> </ul>	3	4	<ul style="list-style-type: none"> <li>Ensure Resilience debrief at start of new term to focus on lessons learned from PPP1 decant</li> </ul>
3	Operational <b>Cyber Security and Data Privacy</b> Risk that the Council's ICT infrastructure is overly exposed to cyber-attacks by external parties or former employees who may still have access to Council systems resulting in loss of data and significant reputational damage.	5	5	<ul style="list-style-type: none"> <li>Laptop and media encryption</li> <li>Data awareness campaign</li> <li>Service automation controls in place</li> <li>Dedicated reviews supported by industry experts</li> <li>Leavers process includes removal of access to IT applications</li> </ul>	5	4	<ul style="list-style-type: none"> <li>Assess priority and exposure of systems across the whole ICT environment</li> <li>Early engagement with new ICT supplier on cyber security to review testing regime.</li> <li>Rolling Internal Audit of system</li> </ul>
4	Strategic <b>Integrated Care Programme</b> Risk over the affordability and delivery of the Adult Social Care, particularly in light of expected demographic changes, could impact the outcomes and care for the people of Edinburgh.	5	5	<ul style="list-style-type: none"> <li>Integration Scheme</li> <li>Strategic Commissioning Plan</li> <li>Establishment of Board</li> <li>Establishment of Leadership Group</li> </ul>	5	3	<ul style="list-style-type: none"> <li>Continue work on integrating organisational arrangements across NHS and Social Care, clarifying roles and responsibilities of all parties</li> </ul>
5	Operational <b>ICT Infrastructure</b> Risk that the IT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council through the transition phase to the new ICT provider impacting the Council's ability to deliver services as expected.	5	5	<ul style="list-style-type: none"> <li>Consultation with staff to design correctly</li> <li>Output specifications clearly identified</li> <li>Engagement with staff, management &amp; service providers</li> <li>Change controls built into new contract</li> </ul>	5	2	<ul style="list-style-type: none"> <li>Business Continuity/ICT report on criticality of systems</li> </ul>

Category	Risk Description	Inherent		Current Key Mitigating Controls	Residual		Further Actions
		I	L		I	L	
6	Strategic	<b>Transformational Change Agenda</b>		<ul style="list-style-type: none"> <li>Transformational governance with full time resource</li> <li>External assurance and skills utilised as required</li> <li>CLT monitoring &amp; reporting on Council projects</li> <li>Governance of major projects/CPO status reports</li> <li>Council performance dashboards</li> <li>Ongoing consultations with Trade Unions</li> </ul>	4	3	<ul style="list-style-type: none"> <li>Dialogue with Elected Members</li> <li>Encourage collegiate interactions between officers and elected members</li> <li>Provide resilient advice to Elected Members to support decision making process and risk exposure</li> </ul>
		5	5		Risk that the Council's transformational change agenda is not implemented effectively and that during the change process business continuity plans are no longer fit for purpose could result in the Council failing to meet service delivery outcomes.		
7	Financial	<b>Savings Targets</b>		<ul style="list-style-type: none"> <li>Service Area budget proposals include a cost pressure contingency</li> <li>Savings MI reported monthly to CLT</li> <li>External assistance to help drive the benefits realisation programme</li> </ul>	4	3	<ul style="list-style-type: none"> <li>Monthly budget monitoring and challenge meetings</li> <li>Prioritisation of service spend</li> </ul>
		5	5		Risk that the Council does not generate sufficient savings to meet budgets in the short and longer term resulting in under delivery of key services.		
8	Strategic	<b>Planning for Increased Demand</b>		<ul style="list-style-type: none"> <li>Demographic funding built into long term financial plans</li> <li>Provision for demographics</li> <li>Strategic workforce planning Board reporting to CLT</li> </ul>	5	3	<ul style="list-style-type: none"> <li>Continuing agenda item for CLT's consideration</li> <li>Improved MI to deliver stronger business case for support</li> </ul>
		5	4		Risk of lack of strategic planning in relation to increasing demand for critical services, taking into account growth in the City's population and changing demographics, leading to a shortfall in funding and a lower quality of service.		
9	Operational	<b>Public Protection</b>		<ul style="list-style-type: none"> <li>Established multi-agency public protection procedures</li> <li>Infrastructure of multi-agency governance through protection committees and Edinburgh's Chief Officers' Group - Public Protection</li> <li>Detailed audit and practice evaluation programmes for each area of risk</li> <li>Performance &amp; quality assurance frameworks in place, include regular reporting to chief officers, elected members, Scottish Government</li> </ul>	4	3	<ul style="list-style-type: none"> <li>No current further actions identified</li> </ul>
		5	4		Risk that the public in general and service users in particular experience harm and/or negative outcomes through either a lack of adequate resource or process failure.		
10	Organisation and people	<b>Workforce Planning</b>		<ul style="list-style-type: none"> <li>Workforce Strategy to support design of a flexible, motivated and high performing workforce with the right capabilities, capacity and culture</li> <li>Line by line funded establishment</li> <li>Transformation workforce workstream</li> </ul>	4	3	<ul style="list-style-type: none"> <li>No current further actions identified</li> </ul>
		5	4		The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.		

Category	Risk Description	Inherent		Current Key Mitigating Controls	Residual		Further Actions
		I	L		I	L	
11 Service Delivery	<p><b><i>Delivering Council Commitments</i></b></p> <p>Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.</p>	5	4	<ul style="list-style-type: none"> <li>Service Areas' clearly defined Service delivery plans</li> <li>SMT KPI's to assess progress against objectives</li> <li>Prioritisation of resources through strategic workforce planning initiatives</li> </ul>	4	3	<ul style="list-style-type: none"> <li>Internal Audit reviews annually to track performance against stated service plans</li> </ul>



## Guidance for assessing Impact and Likelihood of risk

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of Occurrence	Hard to imagine, only in exceptional circumstances	Not expected to occur, unlikely to happen	May happen, reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 10 years	Between 5-10 years	Likely between 3-5 years	Likely between 1-3 years	Likely within 1 year

Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
Effect on outcomes	Minimal effect	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve obligations	Unable to fulfil obligations
Financial effect	Corporate: up to £250k Services: up to £100k	Corporate: £250k - £750k Services: £100k - £300k	Corporate: £750k - £5m Services: £300k - £1m	Corporate: £5m - £20m Services: £1m - £5m	Corporate: £20m + Services: £5m +
Reputational damage	None	Minor	Moderate loss of confidence and embarrassment	Major loss of confidence and adverse publicity	Severe loss of confidence and public outcry

Likelihood	5 – Almost Certain	Low	Medium	High	High	High
	4 – Likely	Low	Low	Medium	High	High
	3 – Possible	Low	Low	Medium	Medium	High
	2 – Unlikely	Low	Low	Low	Low	Medium
	1 – Rare	Low	Low	Low	Low	Low
		1 – Negligible	2 – Minor	3 – Moderate Impact	4 – Major	5 - Catastrophic