Governance, Risk and Best Value Committee

2.00pm, Monday, 24 October 2016

Place Risk Update

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

The attached risk information is the Place Senior Management Team's (SMT's) prioritised risks as at September 2016. It reflects the current highest priority risks of the Service Area along with the key controls in place to mitigate these risks. The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Service Area.

As requested at 3 March meeting of the Governance, Risk and Best Value Committee the report also clarifies what is meant by non-housing assets and assesses the impact of the controls in managing or mitigating highest risks.

Links

Coalition pledges	P30
Council outcomes	CP13
Single Outcome Agreement	

Report

Place Risk Update

Recommendations

1.1 To note the contents of this report.

1.2 To close the outstanding action from 3 March 2016 relating to definition and examples of non-housing asset and to specify the action taken to mitigate high risks.

Background

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 an update to the Governance, Risk and Best Value Committee on the key risks facing the Place Directorate.

2.2 At its meeting on 3 March 2016 the Committee considered the Place Risk Register and asked for a definition and examples of what constitutes a 'non-housing asset'. Committee also agreed that the update report on the Place Risk Register should specify what action had been taken to mitigate high risks and whether it had been successful.

Main report

3.1 The Place SMT risk summary in Appendix 1 reflects the current prioritised risks of the Service Area and demonstrates the compensating controls in place to mitigate the risks.

Non-Housing Assets

3.2 The report to March meeting of the Committee included the Place Risk Register as at January 2016. The highest risk at that time was the repairs and maintenance of non-housing assets which was a legacy risk from when Corporate Property was within the Place Directorate. The non-housing assets included all Council owned buildings other than those on held on the Housing Revenue Account (e.g. schools, care homes, Council offices and depots) but also non-building fixed assets such as boundary and retaining walls, bridges, roads, footways, street-lights, cemeteries, monuments and monumental masonry.

3.3 In the updated Place Risk Register this risk has been revised to refer solely to non-building fixed assets. The maintenance of capital assets, both buildings and

other types of fixed assets, is included as the highest priority risk in the Council Leadership Team Risk Register.

Impact of controls on highest risks

3.4   Of the top ten risks in the risk register reported to Committee in March 2016 four have seen a reduction in their residual risk score, five have remained the same while one has been removed as it overlapped or duplicated other risks within the risk register

3.5   The four highest risks based on inherent and residual risk scores were:

   a. Non-housing repairs and maintenance – as explained in 3.3 above this risk has been revised to include only non-building fixed assets. Work is on-going to ensure that there is an accurate record of all these assets, identify if there is an existing inspection for each type of asset, assess and cost any essential repairs and maintenance. The residual risk score remains at 20 pending the completion of the complete record of assets, inspection schedule and cost of repairs and maintenance.

   b. Body holding capacity in the Mortuary – the residual risk score has reduced from 12 to 6 as a consequence of management action taken to reduce the body storage time, to the extent that at least two of the temporary storage units can be removed.

   c. Mandatory Training – although the introduction of the Essential Learning has improved and simplified the process of ensuring that staff are familiar with key corporate policies there still remains a risk in ensuring that all staff are receiving essential job-specific training particularly in the context of the on-going transformational change and the changes in management and reporting lines. The residual risk score has therefore remained at 12.

   d. Growth investment for Local Development Plan (LDP) – although there is significant mitigation activity taking place, most notably the negotiations on the Edinburgh and South East Scotland City Region Deal, the challenging and complex nature of this risk and the timescales involved means that the impact cannot be determined at this stage. The residual risk score of 12 remains the same however this will continue to be reviewed on an on-going basis.

3.6   The risk register is a dynamic working document and is updated regularly to reflect the changing risks for Place.

3.7   The Place risks have been reviewed recently and an updated heat map (appendix 1) and prioritised risks (appendix 2).

Measures of success

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

5.1   None.

Risk, policy, compliance and governance impact

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

Equalities impact

7.1   None.

Sustainability impact

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

Consultation and engagement

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

Background reading/external references

None.

Paul Lawrence

Executive Director of Place

Contact: David Lyon, Head of Environment

E-mail: david.lyon@edinburgh.gov.uk | Tel: 0131 529 7047

Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
Council outcomes	CP13 – Deliver lean and agile Council services
Single Outcome Agreement	
Appendices	Appendix 1 – Place prioritised inherent risks heat map
	Appendix 2 – Place prioritised inherent risks with mitigating actions

Appendix 1 Place prioritised inherent risks heat map

1 Non-Housing Asset Repairs and Maintenance
Legacy issues of non-housing asset management (identification, inspection and ownership) has resulted in gaps in current asset registers. There is a risk that current R&M budgets are insufficient to meet requirements for the service.

2 Growth investment for Local Development Plan across all services areas over short to long term
Significant growth within the City and increased service demand has resulted in substantial service pressures with risk that we are unable to meet future growth demand

3 Business Continuity and Disaster Recovery transition planning
There is a risk that lack of clarity on resilience roles and responsibility results in ineffective responses to major incidents.

4 Counter Fraud and Anti-bribery process (AB&F)
Monitoring and assurance of AB&F risks and controls varies across the service potentially resulting in poor implementation, gaps in control, environment and increased opportunity for bribery and fraud to occur

5 Project and Contract management – governance and assurance
Lack of commercial expertise and robustness in project management and managing contractors could result in failure to achieve savings and standards

**6 Capital investment impact to service revenue budgets**
Capital investment does not provide robust assurance that all lifecycle costs are appropriately captures as part of expenditure appraisal process leading to unplanned and increased pressure on revenue budgets within the service

7 HR Recruitment & Retention
Competition within the employment market and current levels of change and uncertainty in the organisation means there is a risk that the Council is unable to attract or retain suitably skilled and qualified staff, potentially resulting in insufficient resources to deliver services to acceptable standards, costs increasing for agency staff or outsourcing and inability to meet statutory targets and requirements

8 Delivery of Major Projects
The service is leading and supporting a number of major projects in the city. There is a risk that any project which is no longer deliverable may have an impact on the Council and/or the city.
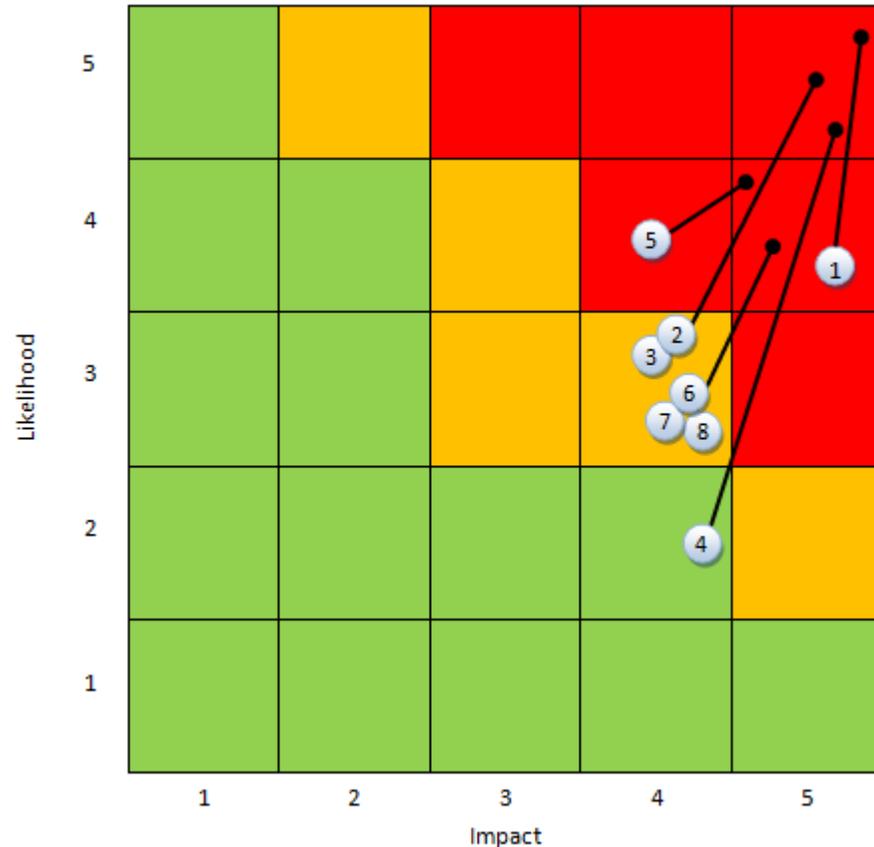
Appendix 2 Place prioritised inherent risks with mitigating actions

Category		Risk description	Inherent		Current key mitigating controls	Residual		Further actions
			I	L		I	L	
1	Operational	**Non-Housing Asset Repairs and Maintenance** Legacy issues of non-housing asset management (identification, inspection and ownership) has resulted in gaps in current asset registers. There is a risk that current R&M budgets are insufficient to meet requirements for the service.	5	5	• Asset registers in place with prioritised budget spend on those deemed of greatest risk to public safety. • General Inspections carried out annually as part of asset management programme	5	4	• Review to ascertain extent of any gaps in recording and inspection of fixed assets. • Production of North Bridge Improvement Plan. • Procurement underway for contract to inspect all boundary walls. To be completed by December 2018.
2	Operational	**Growth investment for Local Development Plan (LDP) across all services areas over short to long term** Significant growth within the City and increased service demand has resulted in substantial service pressures with risk that we are unable to meet future growth demand	5	5	• Engagement with Scottish Government through National Planning Framework 3. • Long-term financial planning process undertaken. • The LDP Action Plan delivery group identify and provide resources required to deliver improvements. • Oversight group established to assess costs of new infrastructure, potential S75 contributors and funding gaps.	4	3	• Refinement of LDP Action Programme in late 2016/early 2017. • External funding options being considered in addition to new financial models.
3	Operational	**Business Continuity and Disaster Recovery transition planning** There is a risk that lack of clarity on resilience roles and responsibility results in ineffective responses to major incidents.	5	5	• Ready for winter Place/Council wide preparation meetings • Annual and regular plan testing • Training for Senior Officers on call • ICE packs (Emergency information)	4	3	• Develop Service Level agreement on Resilience roles & responsibilities, Resilience team/Place • Scenario test on major incident (out of hours lead by Resilience for Place SMT)
4	Legal	**Counter Fraud and Anti-bribery process (AB&F)** Monitoring and assurance of AB&F risks and controls varies across the service potentially resulting in poor implementation, gaps in control and increased opportunity for bribery and fraud to occur.	5	5	Police Scotland anti-bribery training presentation to Risk/Internal audit staff (Spring 2016).	4	2	Service risk register to be produced specific to anti-bribery risk

#	Category	Risk	Current Risk		Mitigating Controls	Target Risk		Planned Actions
5	Strategic	**Project and Contract management – governance and assurance** Lack of commercial expertise and robustness in project management and managing contractors could result in failure to achieve savings and standards	5	4	• Strategy and Insight and Commercial and Procurement Services now established – will provide support for major projects and procurement activities. • Contract management is embedded within service areas.	4	4	Commercial and procurement services are developing a proposal to create a Council wide team to support contract management.
6	Financial	**Capital investment impact to service revenue budgets** Capital investment does not provide robust assurance that all lifecycle costs are appropriately captures as part of expenditure appraisal process leading to unplanned and increased pressure on revenue budgets within the service	5	4	• Financial management programme in place. • All new Fleet and Plant business cases based on whole life costing	4	3	All business cases for Capital Expenditure will include whole life costing to forecast future revenue budget implications.
7	Operational	**HR Recruitment & Retention** Competition within the employment market and current levels of change and uncertainty in the organisation means there is a risk that the Council is unable to attract or retain suitably skilled and qualified staff, potentially resulting in insufficient resources to deliver services to acceptable standards, costs increasing for agency staff or outsourcing and inability to meet statutory targets and requirements	5	4	• Through Transformation revised organisational structures were created and critical posts identified. • Career Transition Service established to support upskilling and retraining.	4	3	• Embedding Transformation plans being developed in service areas. • Reviewing the recruitment process to improve the time it takes to recruit and also improve candidate and colleague experience • Revisiting how we attract talent for different roles and identifying where is the right place to attract the talent for a role, e.g. using LinkedIn, Facebook, Metro etc rather than just myjobscotland • Putting in place a new contract with an external partner which will help us identify talent for Fixed Term, Agency and Permanent roles • Reviewing our reward and recognition strategy
8	Strategic	**Delivery of Major Projects** The service is leading and supporting a number of major projects in the city. There is a risk that any project which is no longer deliverable may have an impact on the Council and/or the city.	5	4	Senior Responsible Officers for major projects are identified and with assurance on governance being undertaken by the Strategy and Insight Service.	4	3	Development of alternative delivery plans for major projects to be undertaken by Senior Responsible Officers in consultation with colleagues from across the appropriate service areas.

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	1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
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

Impact