Governance, Risk and Best Value Committee

10.00am, Tuesday, 26 September 2017

Corporate Leadership Team Risk Update

Item number	7.7
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

The Council's risk management framework ensures that risks to the Council are effectively managed, reviewed and updated through quarterly Risk and Assurance Committees being held at both Directorate and Corporate Leadership Team (CLT) levels.

The information presented in this report reflects the Council's top risks and the key controls in place to mitigate them as at 18 August 2017. These risks and the associated controls have been scrutinised and challenged by the CLT and are presented to the GRBV Committee for oversight and review.

Report

Corporate Leadership Team Risk Update

1.   Recommendations

1.1   To review and scrutinise the risk update and be assured by the risk management framework, controls and mitigations in operation.

1.2   To commission, where appropriate, further updates from relevant officers to discuss the key risks and mitigating actions identified.

2.   Background

2.1   The Governance, Risk and Best Value (GRBV) Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements.

2.2   The Council has an Enterprise Risk Management Policy and Risk Management Procedure in place which describe why, when and how risk management should take place. These documents are reviewed and updated annually.

2.3   The purpose of this report is to provide an update to the Committee on the key risks facing the Council and the work being undertaken to reduce the level of risk within the Council.

2.4   The CLT Risk Update was last presented to the GRBV Committee on 1 August 2017.

3.   Main report

3.1   During the last quarter, risks have been reviewed at Risk Management Groups, Service Management Teams and Risk and Assurance Committees within each Directorate. The top risks that have been identified and confirmed have been escalated to the CLT Risk and Assurance Committee for oversight and scrutiny, in accordance with the Council's risk management framework.

3.2   The information in this report reflects the Council's top risks and the key controls in place to mitigate them, as at 18 August 2017. Appendices 1 and 2 reflect the current top risks to the Council and the key controls in place.

3.3   'Capital asset management', 'transformation and change agenda', 'business continuity', and 'information governance' are currently the Council's top risks, as scored using the Council's methodology, on an inherent basis. Information Governance now replaces Budget Management in the top 5. The Health and Social Care risk residual score has moved up from the yellow to red zone on the heat map.

3.4 Future CLT Risk Updates will present risks on a current basis, which will factor in the likely timeframe for an event occurring, the effectiveness of controls in place and the level of control which the Council may have over that event, and will present a more realistic view of the risk.

3.5 Recently, several high-profile events have occurred which have been considered in a risk management context. These events include the Grenfell Tower fire, NHS ransomware attacks, terrorist incidents in London, Manchester and Barcelona and the previous raising (and subsequent reduction) of the UK threat level to Critical. After review these events have not altered the scoring of the relevant risks (part of the 'capital asset management' and 'business continuity' risks).

3.6 Workshops are being planned to take place over the forthcoming months with CLT members. These workshops will involve a "deep dive" review of current controls/mitigating actions and risk scores for the following areas: information governance; external environment; future planning; internal processes and systems; physical structures; people; project delivery; health and social care delivery (short/medium term); major incident; council performance; third party risks including contract management and procurement. These workshops will provide a clear snapshot of how well these risks are being managed, as well as identifying further mitigation or control enhancements required.

3.7 Improvements to the risk management framework, based upon good practice in the public and private sector, are being continually reviewed and considered for implementation as part of continuous improvement. These are designed to refine and enhance several areas of the risk management framework and will be documented in the next update of the Policy and Procedure documents.

4. Measures of success

4.1 Effective risk management aims to ensure that key risks to the Council are identified, managed, and communicated appropriately and that suitable controls are put in place to mitigate risks to acceptable levels.

5. Financial impact

5.1 There is no direct financial impact arising from this report.

5.2 Control measures to mitigate risk may have an associated cost which is to be funded from existing budgets in the first instance.

6. Risk, policy, compliance and governance impact

6.1 Effective risk management aims to improve performance against objectives by contributing to more efficient use of resources, reduction in management time spent dealing with sudden shock events, and more focus internally on doing the right things properly.

6.2 By its very nature risk management cannot guarantee to protect against every possible negative consequence. Even with a perfectly-functioning risk management framework events considered significant or untoward with a low likelihood may still occur, resulting in significant negative consequences.

7. Equalities impact

7.1 There are no direct impacts upon equalities arising from this report.

8. Sustainability impact

8.1 There are no direct impacts upon sustainability arising from this report.

9. Consultation and engagement

9.1 As part of the Council's risk management framework the information in Appendices 1 and 2 has been discussed and challenged by the CLT.

10. Background reading/external references

10.1 Corporate Leadership Team Risk Update: report to GRBV 1 August 2017

10.2 City of Edinburgh Council's Policy Register

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11. Appendices

Appendix 1 – CLT Top Inherent Risks as at 18 August 2017
Appendix 2 – CLT Top Inherent Risks with Mitigating Actions
Appendix 3 – Risk Scoring Matrix

Appendix 1 - Corporate Leadership Team (CLT) Top Risks

1. **Health and Social Care (H&SC)**
Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the Integration Joint Board (IJB) As a result, we may be unable to deliver our own commitments as part of the Health and Social Care Partnership's strategic plan.

2. **Capital asset management**
With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (e.g. improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.

3. **Transformation and change agenda**
Key deliverables, benefits and timescales for achieving change may not be achieved in line with business expectations, requirements, budgets and resources. This may result in adverse impacts on service delivery and the Council's finances and/or its reputation.

4. **Business continuity**
A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptably long time. Damage/harm to people, infrastructure, systems.

5. **Maintaining service with less resource**
Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan, requirement to deliver within agreed budgets, and the anticipated need for further cost efficiencies may create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.

6. **Information Governance**
A loss of data from the Council's control could result in fines, loss of trust and reputation damage. New General Data Protection Regulation from May 2018 adds additional compliance requirements.

7. **Customer expectations**
Customer dissatisfaction around delivery of customer facing services (e.g. waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.

8. **Health and Safety (H&S)**
Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.
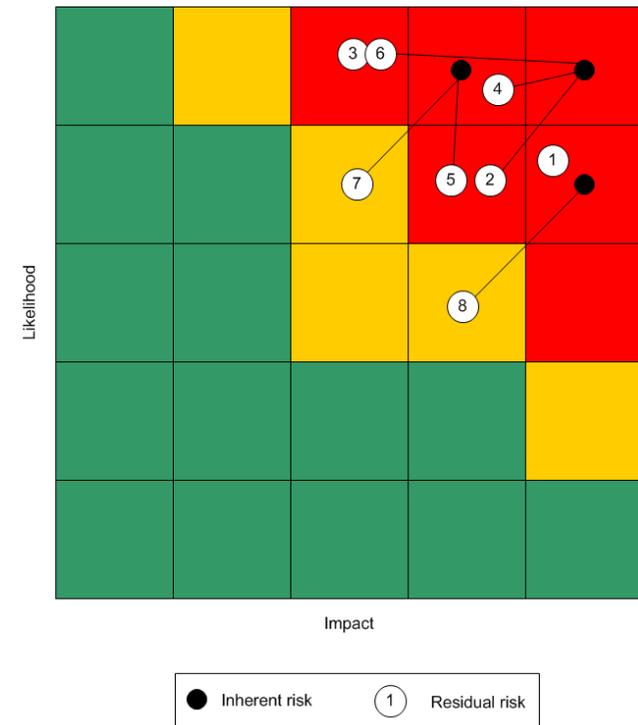
These are the top risks to the Council as at 18 August 2017 and are not presented in any ranked order.

Appendix 2 - CLT Top Risks with Mitigating Actions

	Risk description	I	L	Current key mitigating controls	I	L	Further actions
1	**Health and Social Care** Through lack of CEC and/or provider resource/capability/capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments, for example, to enable efficient discharge from hospital and consequently risk of not fulfilling our duty of care to customers and to delivery of the Health and Social Care Partnership's strategic plan.	5	4	• New structure for procurement and commercial services designed and implemented to ensure appropriate skills; • Access to external experts for capacity and capability and knowledge sharing; • Partnership working with Service Areas and IJB (IJB Procurement Board) • Contract register includes end of contract action plans • Exceptional items escalated to CLT quarterly • The Chief Officer of the IJB is a member of the CEC CLT and has dual accountability to NHS Lothian; • Care Inspectorate Action Plan to be delivered. • CEC Chief Internal Auditor provides the same function for the IJB to strengthen governance approach; • Corporate Policy and Strategy Committee to scrutinise health and social care performance, delivery and risk management.	5	4	• Management Information (MI) reporting to include red/amber/green (RAG) status on progression of contracts and exceptions • Comprehensive lessons learned review underway to inform enhanced provider failure protocol and contract management • Appropriate risks from the IJB/Health & Social Care Partnership risk register to be incorporated where appropriate
2	**Capital asset management** With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (eg improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.	5	5	• Asset Management Strategy update to Finance and Resources committee • Integrated Property and Facilities Management (IPFM) report to CLT. • Condition Survey of all premises underway. • Property Rationalisation work-stream. • 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. • North Bridge project.	4	4	• Ensure asset management strategy provides for a clear, prioritised, affordable and sustainable property portfolio; • Ascertain extent of any gaps in recording and inspection of fixed assets • Procurement underway for contract to inspect all boundary walls. Complete by December 2018.
3	**Transformation and change agenda** Key deliverables, benefits and timescales for achieving transformation may not be achieved in line with business expectations, requirements and contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.	5	5	• Council Change Strategy being developed, aligned to the Business Plan. • Improved programme and project governance being applied through the CLT Change Board and new Business Case gateways process. • Plans for the key projects in terms of scoping and resources being reviewed. • Key transformation programmes supported by Programme / Project Management expertise.	3	5	• Implementation of Change Strategy and enhanced programme governance and business case approvals; • Clear and robust programme/project plans;

#	Risk			Controls			Actions
							• Greater focus on delivery assurance and benefits realisation.
4	**_Business continuity_** A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period. Damage/harm to people, infrastructure, systems.	5	5	• Council Business Continuity and Emergency Plans are in place • All Chief Officers have been briefed about the Council's Incident Management response arrangements and on-call responsibilities; • Appropriate expertise and capability in place via the Council Resilience Team; • Information Technology Disaster Recovery (IT DR) arrangements in place and being tested; • Effective and regular liaison and partnership working between CEC and other emergency and health services at a local and national level. • Business Impact Assessments in place for all Services. • Externally contracted services include DR and business continuity provisions.	4	5	• Council participation in multi-agency scenario testing of emergency plans; • Rolling programme of IT disaster recovery tests; • Relevant Audit actions being completed.
5	**_Maintaining service with less resource_** Funding reductions, legislative changes and increased demographic pressures, requirements of the Local Development Plan, the requirement to deliver within agreed budgets, and the anticipated need for further cost efficiencies may create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.	4	5	• Effective Long-Term Financial Planning in place, aligned to the Council's Business Plan and Performance Framework; • Provision for demographic change built into long term financial planning assumptions; • Regular review of financial challenges and assumptions with Members Budget Core Group and Finance and Resources Committee; • Monthly Performance Dashboard reporting to Directorates • Monthly budget monitoring • Savings and implementation plans are monitored and reviewed; • GRBV scrutinises Council Finance and Performance outcomes, assumptions and delivery.	4	4	• Refreshed Directorate Business Plans to be produced; • Revised Council Performance Dashboard/Framework to be considered by Council; • Annual External Audit of Council's Financial Planning and Long-Term assumptions to be reported.
6	**_Information Governance_** A loss of data from the Council's control could result in fines, loss of trust and reputation damage. New General Data Protection Regulation (GDPR) from May 2018 adds additional compliance requirements.	5	5	• Refreshed Information security policy introduced • Laptop and media encryption • Service automation controls in place • New IT Security Managed Service procured with requirements to adopt CESG (Communications Electronics Security Group – now part of the National Cyber Security Centre) and ISO (international standards) best practice approaches and improve the security defences, monitoring and awareness of the security threat landscape. • Leavers process includes removal of access to IT applications • GDPR Implementation Plan in place	3	5	• Assess impact of delays in delivery of IT systems • ISMS (Information Security Management System) • Monthly MI demonstrating any threats

| 7 | **Customer expectations**
Customer dissatisfaction around delivery of customer facing services (e.g. waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage. | 4 | 5 | • Waste Services Improvement Plan in place and being progressed;
• Roads Service Improvement Plan in place and has been approved by the T&E Committee and will now be delivered;
• Customer Transformation Programme being delivered in partnership with front-line services;
• Customer Skills Training being deployed across all Customer Contact Centre staff;
• Improved social media skills and capability being jointly delivered by Communications and Customer;
• Channel Shift and Process Automation aspects of the Customer Transformation Programme are being delivered to improve accessibility and responsiveness of services;
• Corporate Policy and Strategy Committee to receive regular reports and updates on Customer Transformation and Customer Contact Centre improvements and service delivery. | 3 | 4 | • Improvements to Council Complaints and Feedback Policy and handling arrangements;
• Citizen Panel to provide feedback on customer experience and service improvements;
• Enhancements to Council social media responses to issues and proactive campaigns, such as during the Edinburgh Festivals;
• Delivery of improved customer contact service performance. |
| 8 | **Health and Safety (H&S)**
Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage. | 5 | 4 | • Progress on Corporate H&S Strategic Plan is reported annually to CLT and Finance and Resources Committee;
• H&S performance measured and reported to CLT Risk and Assurance Committee quarterly;
• H&S risks and issues reported to CLT on a weekly basis, H&S is a standing CLT agenda item
• Corporate H&S Training programme available across the whole organisation and completion and update reporting is in operation across Directorate and Council H&S Groups;
• H&S input and awareness raising is part of the Council's Induction Programme. | 4 | 3 | • H&S Annual conference to be delivered and focus on 'H&S is everyone's responsibility';
• Service Level Agreements for new FM Service to make clear accountabilities for H&S in Schools and other establishments being vested. |

Appendix 3 Risk Scoring

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