

Governance, Risk, and Best Value Committee

10.00am, Tuesday, 8 December 2020

Corporate Leadership Team (CLT) Risk Register

Item number

Executive/routine

Executive

Wards

Council Commitments

1. Recommendations

It is recommended that the Committee:

- 1.1 notes the Council's current strategic risk profile;
- 1.2 notes that five strategic risks are currently outwith agreed risk appetite ranges mainly due to the ongoing impacts of the Covid-19 pandemic;
- 1.3 notes that the current strategic risk profile is likely to increase in the event of further individual or concurrent resilience events in the current Covid-19 operating environment;
- 1.4 notes progress with the refresh of the design of Corporate Leadership team (CLT) risk register;
- 1.5 notes the content of the refreshed risk assessment matrix to ensure that both operational and strategic risks are assessed in alignment with the risk ranges included in the Council's Risk Appetite Statement; and,
- 1.6 approves the proposed Committee reporting arrangements to support ongoing scrutiny of the Council's most significant risks.

Andrew Kerr
Chief Executive

Contact: Lesley Newdall, Senior Audit and Risk Manager
Legal and Risk Division, Resources Directorate
E-mail: lesley.newdall@edinburgh.gov.uk | Tel: 0131 469 3216

Corporate Leadership Team Risk Register

2. Executive Summary

- 2.1 The purpose of this paper is to highlight the Council's current strategic risk profile, detail those risks where further action is required (where realistic and possible) to ensure that they are brought within approved strategic risk appetite levels.
- 2.2 The table included at paragraph 4.4 below illustrates that five current strategic risks are currently outwith approved risk appetite ranges, mainly due to the ongoing impacts of Covid-19. Further rationale and details of actions being implemented to address these risks (where possible) are included below.
- 2.3 The paper also highlights that the Council's current strategic risk profile is likely to further increase in the event that seven (potentially likely) resilience events occur either individually or concurrently in the current Covid-19 operating environment. This outcome is based on the consolidation of individual assessments performed by each Council directorate.
- 2.4 Proposals for future reporting to the Committee to support their ongoing scrutiny of the Council's most significant current risks in comparison to risk appetite are also included below.
- 2.5 The design and content of the operational CLT risk register has been refreshed to align with the content of the Council's risk appetite statement, and in line with the revised operational risk management framework arrangements presented to the Committee in November 2020. Further detail is included below.
- 2.6 The risk assessment matrix used to assess risks across the Council has been refreshed to ensure that both operational and strategic risks are assessed in alignment with the risk ranges included in the Council's approved Risk Appetite Statement and is included at Appendix 2.

3. Background

Covid-19 impacts

- 3.1 The Corporate Leadership Team risk register was due to be presented to the Governance, Risk and Best Value Committee in March 2020 as part of the normal reporting cycle. However, this meeting did not take place due to Covid-19.
- 3.2 The CLT and Directorate risk committees were paused during Covid-19. Quarterly directorate risk committees were reinstated in September 2020, and the quarterly CLT risk committee will be reinstated in December 2020.
- 3.3 Appropriate risk management arrangements have been established to support ongoing identification; assessment; recording; and management of the new Covid-19 risks faced by the Council. These new risks are recorded together with mitigating actions in the Covid-19 Risk Management Plan (RMP) that is regularly reviewed and refreshed and presented fortnightly to the Council's Incident Management Team (CIMT) for review and discussion.

Directorate and Divisional Risk Registers

- 3.4 Following the Risk Management Review recently, performed by Azets, directorate and CLT risk registers will be updated on an ongoing basis to reflect new and emerging risks escalated from divisions and directorates and more widely across the Council in line with refreshed operational risk management process by June 2021.
- 3.5 Whilst directorate and divisional 'business as usual' operational risk registers require to be updated in line with the Azets' audit recommendations, the Council's most current significant risks have also been recorded and are currently managed through the Covid-19 RMP and Adaptation and Renewal risk registers.

Refreshed Risk Management Arrangements

- 3.6 The Council's Enterprise Risk Management Policy (ERMP) and Risk Appetite Statement were refreshed and approved by the Policy and Sustainability Committee in October 2020, and presented to the Governance, Risk, and Best Value (GRBV) Committee in November 2020.
- 3.7 Plans for the phased implementation of the Council's refreshed operational risk management framework across the next three years were also presented to GRBV in November 2020. This report highlighted the need to implement the following actions to ensure effective alignment with the 'Three Lines' model:
 - 3.7.1 ensure that all relevant strategic; operational; and thematic risks flow effectively and consistently through relevant risk registers and into the CLT risk register;
 - 3.7.2 implement a refreshed thematic risk hierarchy that supports assessment and identification of the Council's most significant original (inherent) and current (residual) risks for inclusion in the CLT risk register by consolidating lower

level sub-risks across directorates and divisions using a simple scoring methodology; and,

3.7.3 further embed risk appetite by adopting target risk as a proxy for setting risk appetite at a more granular level; discussing and assessing target risk at divisional, directorate and CLT risk and assurance committees; and recording target risks (where possible) in risk registers.

3.8 This risk hierarchy and consolidation process has already been developed to support identification of Adaptation and Renewal programme risks and is now being applied in practice by the programme managers.

4. Main report

Current Strategic Risk Profile

4.1 A summary of the Council's current strategic risk profile is included in the table at 4.4 below. It is important to note that all relevant current Covid-19 strategic risks; Adaptation and Renewal Programme; Brexit; and other relevant current risks identified by the CLT have been mapped to relevant strategic risks included in the Council's risk appetite statement and are included in this assessment.

4.2 The current strategic risk profile is based on management's view of the effectiveness of thematic controls established across the Council to manage these risks, and consideration of relevant assurance outcomes.

4.3 Details of strategic risk descriptions and their potential impacts are included at Appendix 1.

4.4 The table highlights that five strategic risks (strategic delivery; financial and budget management; health and safety; resilience; and governance and decision making) are currently outwith approved risk appetite ranges (mainly due to the impacts of Covid-19) with the remaining six risks currently within appetite. Further information on the risks outwith risk appetite and actions currently being taken (where possible) to address them is set out below.

Corporate Leadership Team Risks	Original Risk	Current Risk	Risk Appetite		Action Required
1. Strategic Delivery	Critical	High	Low	Moderate	↓
2. Financial and Budget Management	Critical	Critical	Low	Moderate	↓
3. Programme and Project Delivery	High	Moderate	Low	High	↔
4. Health and Safety (including public safety)	Critical	Critical	Minimum Possible	Low	↓
5. Resilience	Critical	High	Low	Moderate	↓

6. Supplier, Contractor, and Partnership Management	Critical	High	Low	High	↔
7. Technology and Information	High	Moderate	Low	Moderate	↔
8. Governance and Decision Making	High	Moderate	Minimum Possible	Low	↓
9. Service Delivery	High	High	Low	High	↔
10. Regulatory and Legislative Compliance	High	Low	Minimum Possible	Low	↔
11. Reputational	High	Moderate	Minimum Possible	Moderate	↔

4.5 The rationale for the five strategic risks currently outwith approved risk appetite ranges and actions being implemented to address them (where possible) are as follows:

4.5.1 **Strategic delivery** – the High rated current strategic delivery risk is attributable to the ongoing impacts of Covid-19, as it is not possible to determine when the Council and the City will return to a normal operating environment, and final Covid-19 financial implications cannot be determined. Consequently, the Council is currently focusing on the safety of employees and citizens and continuing to deliver vital services.

The Council is aiming to address this risk by considering all potential opportunities for service and operational redesign throughout the recovery process as part of the Adaptation and Renewal programme, together with ongoing focus on its Business Plan, and will refresh its current strategy and future budget in January/February 2021. In this context, it is also important to note that the Council's new Digital and Smart City strategy was approved by the Policy and Sustainability Committee in October 2020.

4.5.2 **Financial and budget management** – the Critical current financial and budget management risk is also attributable to the ongoing impacts of Covid-19. As noted above, it is not yet possible to determine final Covid-19 financial costs; the extent to which these costs can be recovered; and their final impact on the Council's future revenue and capital budgets. Another key driver of this risk is the Covid-19 impact on arms-length external organisations (ALEOs) for example, Transport for Edinburgh and Edinburgh Leisure, that normally generate a significant financial contribution for the Council.

A number of mitigations have been implemented to ensure that these unplanned Covid-19 costs and their potential future impacts are accurately recorded and monitored with regular progress reports provided to the Finance and Resources Committee. Plans have also been established to use existing reserves to address in year financial pressures, and proposals

for future savings have been considered and are being implemented. Regular engagement is also ongoing with ALEOs to understand their current financial position and future recovery plans, and with the Edinburgh Integration Joint Board to understand their future funding requirements.

- 4.5.3 **Health and safety (including public safety)** - the Critical current health and safety risk is also directly attributable to the impacts of Covid-19 and reflects a number of the risks included in the Covid-19 risk management plan that relate to the health, safety and wellbeing of citizens living in the City and/or in Council care, as well as our employees. This risk also reflects the potential impacts of both local and national decisions implemented to manage the Covid-19 infection rate.

A significant number of mitigations have been implemented to address this risk for example: resident and employee testing in care homes; implementation of social distancing measures and deep cleaning across open Council buildings; increased support provided to homeless citizens; out of hours support arrangements to manage positive cases in schools; and ongoing engagement with Police Scotland and other partners. However, it is important to note that public protection and safety is also largely dependent on the adoption of relevant Scottish Government and Public Health Scotland guidance by citizens.

- 4.5.4 **Resilience** – the High current resilience risk reflects that the Council is likely to continue to operate in the current Covid-19 operating environment for the foreseeable future, and the potential requirement to respond to additional resilience events that have a strong likelihood of occurrence, whilst continuing to manage Covid-19.

In response, the Council is focusing on scenario planning at both CLT and directorate level with scenario action plans being redesigned to align with the new Scottish Government Covid-19 Strategic Framework (the Framework); is designing a suite of Covid-19 protocols to support directorate and divisional resilience decisions and provide supplementary information; and a suite of generic corporate resilience protocols that incorporate lessons learned from multi agency resilience tests for use by directorates and divisions to support their decision making in the event of an incident.

- 4.5.5 **Governance and decision making** – the Moderate governance and decision making current risk reflects the requirement for timely decision making in response to both Scottish Government and Public Health Scotland Covid-19 regulations and guidance, including decisions required in relation to movements between Framework protection levels, and the need to refresh established governance and assurance arrangements across the Council to support improvements in both service delivery and assurance outcomes.

Mitigations established to address this risk includes: ongoing engagement with the Scottish Government, COSLA, the NHS, and other partner

organisations to discuss any planned changes; regular Council Incident Management Team meetings to discuss and agree responses and actions required; and ongoing engagement and reporting to relevant Council executive committees. Plans to refresh established governance and assurance arrangements across the Council are being considered and will be implemented as part of the proposed Chief Officer and Senior Management restructuring currently being developed.

Risks Associated with Concurrent Resilience Events

- 4.6 An assessment of the risks associated with seven potential resilience events that have a strong likelihood of occurring either individually or concurrently during the ongoing Covid-19 pandemic confirmed that their impacts are likely to further increase the Council's current strategic risk profile.
- 4.7 The seven scenarios detailed below were considered by each directorate, and the outcomes consolidated to provide both individual and concurrent risk impact assessments. Actions to mitigate these risks are being considered as part of the ongoing scenario planning activities outlined above.
1. further Covid-19 wave or local outbreak
 2. winter flu epidemic
 3. no deal Brexit
 4. severe weather
 5. death of the monarch in Scotland
 6. care for displaced people
 7. civil disorder

Recommended GRBV Reporting Arrangements

- 4.8 It is recommended that, as with this report, the table above is presented quarterly to the Committee, together with explanations of the instances where current risk exceeds risk appetite, and details of the actions being taken to ensure that this is addressed where possible.

CLT Operational Risk Register Refresh Progress

- 4.9 The design and content of the operational CLT risk register is currently being refreshed in line with the Council's approved Risk Appetite Statement and the revised operational risk management framework arrangements presented to the Committee in November 2020.
- 4.10 The risk register now includes the 11 strategic risks included in the Risk Appetite Statement supported by a range of sub-risks including key strategic Covid-19 risks; Adaptation and Renewal Programme and Brexit risks; and the most significant current operational risks identified by the CLT.

- 4.11 Strategic risk descriptions and impact statements have also been defined (refer to Appendix 1), and key thematic Council wide controls that have been established to mitigate these risks have also been identified.
- 4.12 Work is ongoing to develop and implement a refreshed thematic risk hierarchy and consolidation process to support identification and assessment of the most significant divisional, directorate, and thematic risks for inclusion in the CLT risk register as outlined above.

Refreshed Risk Assessment Matrix

- 4.13 The risk assessment matrix that will be used to support the assessment of original; current and target risks across the Council has been refreshed to align with the ranges included in the Risk Appetite Statement and is included at Appendix 2.

5. Next Steps

- 5.1 Reinstatement of the quarterly CLT risk committee from December 2020.
- 5.2 Implementation of the refreshed operational risk management arrangements.

6. Financial impact

- 6.1 There are no direct financial impacts directly arising from this report, although effective management of risks is part of good financial management.

7. Stakeholder/Community Impact

- 7.1 Effective risk management will support achievement of strategic objectives; effective service delivery; and appropriate responses to resilience events.

8. Background reading/external references

- 8.1 [Enterprise Risk Management Policy – Policy and Sustainability Committee October 2020 – item 7.11](#)
- 8.2 [Risk Appetite Statement - Policy and Sustainability Committee October 2020 – item 7.12](#)
- 8.3 [Operational Risk Management Framework – Governance, Risk, and Best Value Committee November 2020 – item 8.6](#)

9. Appendices

Appendix 1 – Strategic Risk Descriptions and Impact Statements

Appendix 2 – Refreshed Risk Assessment Matrix

Appendix 1: Strategic Risk Descriptions and Impact Statements

Ref	Risk	Risk Description	Impact Statement
R1	Strategic Delivery	Inability to design and / or implement a strategic plan for the Council.	Lack of clarity regarding future direction and structure of the Council impacting quality and alignment of strategic decisions
R2	Financial and Budget Management	Inability to perform financial planning; deliver an annual balanced budget; manage cash flows; and confirm ongoing adequacy of reserves	Council is unable to continue to deliver services and implement change in line with strategic objectives; inability to meet EIJB financial directions; adverse external audit opinion; adverse reputational consequences
R3	Programme and Project Delivery	Inability to delivery major projects and programmes effectively, on time and within budget	Inability to deliver Council strategy; achieve service delivery improvements; and deliver savings targets
R4	Health and Safety (including public safety)	Employees and / or citizens (including those in the Council's care) suffer unnecessary injury and / or harm	Legal; financial; and reputational consequences
R5	Resilience	Inability to respond to a sudden high impact event or major incident	Disruption across the City; to service delivery; and serious injury or harm to employees and / or citizens.
R6	Supplier, Contractor, and Partnership Management	Inability to effectively manage the Council's most significant supplier and partnership relationships	Inability to deliver services and major projects within budget and achieve best value
R7	Technology and Information	Potential failure of cyber defences; network security; application security; and physical security and operational arrangements	Inability to use systems to deliver services; loss of data and information; regulatory and legislative breaches; and reputational consequences
R8	Governance and Decision Making	Inability of management and elected members to effectively manage and scrutinise performance, and take appropriate strategic and operational decisions	Poor performance is not identified, and decisions are not aligned with strategic direction
R9	Service Delivery	Inability to deliver quality services that meets citizen needs effectively and in line with statutory requirements	Censure from national government and regulatory bodies; and adverse reputational impacts
R10	Regulatory and Legislative Compliance	Delivery of Council services and decisions are not aligned with applicable legal and regulatory requirements	Regulatory censure and penalties; legal claims; financial consequences
R11	Reputational Risk	Adverse publicity as a result of decisions taken and / or inappropriate provision of sensitive strategic, commercial and / or operational information to external parties	Significant adverse impact to the Council's reputation in the public domain

Appendix 2: Refreshed Risk Assessment Matrix

Likelihood	Highly Probable (5)	Moderate	Moderate	High	High	Critical
	Probable (4)	Low	Moderate	Moderate	High	High
	Possible (3)	Low	Low	Moderate	Moderate	High
	Unlikely (2)	Low	Low	Low	Moderate	Moderate
	Rare (1)	Min Possible	Low	Low	Low	Low
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
		Impact				