Governance, Risk and Best Value Committee

10.00am, Tuesday, 24 January 2023

Corporate Leadership Team Risk Report as at 28 November 2022

Item number	
Executive/routine	Executive
Wards	All
Council Commitments	

1.   Recommendations

1.1   It is recommended that the Committee notes:

1.1.1   The Council's risk profile as at 28 November 2022, reflecting the most significant risks facing the Council, and key actions being taken in response to those risks.

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Report

Corporate Leadership Team Risk Report as at 28 November 2022

2. Executive Summary

2.1 The purpose of this paper is to present the Council's risk profile as at 28 November 2022, to highlight the most significant risks facing the Council, and key actions being taken in response to those risks.

2.2 Risk assessments within this paper are based on management's view of the internal and external environments within which the City of Edinburgh Council operates, with subsequent actions considered in the context of the Council's risk appetite.

2.3 The Council's 13 enterprise risks have been rated as follows:

Five High rated risks – Strategic Delivery, Financial & Budget Management, Technology & Information, Service Delivery and Workforce; and

Eight Moderate rated risks – Programme & Project Delivery, Health & Safety, Resilience, Supplier, Contractor and Partnerships Management, Governance & Decision Making, Regulatory & Legislative Compliance, Reputational Risk and Fraud & Serious Organised Crime.

2.4 Trending – Fraud & Serious Organised Crime has increased since last quarter but remains within risk appetite; Resilience has decreased and is now within risk appetite.

2.5 Risk appetite – Seven risks currently exceed the Council's risk appetite: Strategic Delivery, Financial & Budget Management, Health & Safety, Technology & Information, Governance & Decision Making, Workforce and Regulatory & Legislative Compliance.

3. Background

3.1 The purpose of this report is to provide the Governance, Risk and Best Value Committee with an update on the most significant risks the City of Edinburgh Council has identified and assessed during Quarter 3 2022.

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4. Main report

Quarter 3 2022 Current Risk Profile (as at 28 November 2022)

4.1   This report contains the most significant risks discussed at the CLT risk committee on 28 November 2022 and the risk assessment for the Council's thirteen enterprise risks. This is based on the aggregated risk scores from divisions, overlayed with council-wide risks.

4.2   The Council's enterprise risk descriptions and potential impacts are included in Appendix 1, and a summary of the Council's current enterprise risk profile and trending is included at Appendix 2.

4.3   Risk assessments within this paper are based on management's view of the internal and external environments within which we operate, with subsequent actions considered in the context of the Council's risk appetite.

4.4   The Council's 13 enterprise risks have been rated as follows:

4.4.1   Five High rated risks – Strategic Delivery, Financial & Budget Management, Technology & Information, Service Delivery and Workforce; and

4.4.2   Eight Moderate rated risks – Programme & Project Delivery, Health & Safety, Resilience, Supplier, Contractor and Partnerships Management, Governance & Decision Making, Regulatory & Legislative Compliance, Reputational Risk and Fraud & Serious Organised Crime.

4.5   Trending – Fraud & Serious Organised Crime has increased since last quarter but remains within risk appetite; Resilience has decreased and is now within risk appetite.

4.6   Risk appetite – seven risks currently exceed the Council's Risk Appetite: Strategic Delivery, Financial & Budget Management, Health & Safety, Technology & Information, Governance & Decision Making, Workforce and Regulatory & Legislative Compliance.

4.7   **Rationale for the Council's 13 enterprise risk ratings, and associated actions**

4.7.1   Strategic Delivery (High), Finance & Budget Management (High), Governance & Decision Making (Moderate) – these risks remain outwith risk appetite due to continuing economic pressures and public sector resource constraints. The mitigations associated with these are dependent on agreement of the Council's revised Business Plan and Medium-Term Financial Plan.

4.7.2   In relation to the Strategic Delivery of major priority programmes, the current actions to reduce the risk here include commencement of the Poverty Prevention Board in October 2022; a new manager has been successfully recruited to support delivery of the Climate Strategy and Carbon Emissions Reduction Programme (CERP); alignment of Finance staff to work closely

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with relevant service and policy colleagues to support development of realistic and deliverable policies / plans aligned to anticipated resources. However, in the context of the Council's revised Business Plan and financial position, what can be delivered over an initial two year period is being reviewed.

4.7.3   Programme and Project Delivery remains Moderate and within risk appetite; however, it continues to be monitored under existing biannual financial governance arrangements.

4.7.4   Health and Safety (including Public Safety) remains Moderate and outwith risk appetite. Risks driving this current assessment include the need for competent fire risk assessors, changes to the Fire Alarm response from the Fire and Rescue Service planned from April 2023, and the risk of Damp and Mould in Council homes,

Action to reduce the risk associated with health and safety include the production of a new Health and Safety Strategy for the Council which will contribute to the successful management of this risk. The new Strategy will be considered by the Finance and Resource Committee at its next meeting on 24 January 2023. In addition a new programme of fire risk assessments by competent specialists have been developed. The Council is also preparing new guidance for Duty Holders in relation to what the Fire and Rescue Service changed response to fire alarms will mean after April 2023 and to consider the risk these changes may create out of hours.

A pilot scheme to add damp/mould sensors in 500 properties is scheduled to be completed in April 2023. The sensors will go into a range of property types, with the data from this to be used to gather better information about where there is higher risk of dampness. The age profile of our stock is such that the majority will be in homes that are 60/70 years old.

4.7.5   Resilience has reduced to Moderate and is now within risk appetite. While the potential impacts of concurrent events remains high, the latest assessment reflects the Council's responsiveness to crises throughout 2022. Subsequent resourcing and financial impacts on services continue to be monitored, alongside planning for additional winter pressures.

4.7.6   Supplier, Contractor, and Partnership Management remains Moderate and within risk appetite, noting continual monitoring of challenging insurance market conditions. Contract management processes are under review alongside ongoing training for services.

4.7.7   Technology and Information remains High and outwith risk appetite due to reliance on legacy systems, most notably iTrent and SWIFT and the heightened threat of cyber-attacks. Prioritisation of investment in new technology is being considered within the Medium Term Financial Plan (MTFP).

iTrent – 5,000 staff do not have access. Paper transactions cause delays, resulting in late notifications of leavers, pay requests etc. which in turn

results in overpayments (currently just under £1m). The system doesn't have an integrated recruitment module with myjobscotland, meaning information has to be moved over manually, causing delays and increased workloads.

A cloud based system will allow for access to remote workers and live integration with our recruitment website.

Swift – end-of-life system which is no longer being developed by the supplier; the system is difficult to use because it is not intuitive, slow, and has performance issues; the system does not allow for effective reporting to other organisations, e.g. the Scottish Government.

A refreshed business case for the replacement of the Swift system is currently underway and is expected to be presented to CLT for approval in Q1 2023.

Cyber – the assessment of a heightened threat is in line with data published by the National Cyber Security Centre (NCSC), in which the UK is the third most targeted country for cyber-attacks. This has been exacerbated by the invasion of Ukraine and further threat of state-led attacks.

The Council and CGI teams continue to identify and manage potential threats across the estate.

4.7.8 Service delivery remains High and within risk appetite, driven predominantly by continued workforce and capacity pressures facing the Health & Social Care Partnership. The Capital City Partnership is providing further support to increase care sector staffing levels through targeted local recruitment.

4.7.9 Workforce remains High and outwith risk appetite due to challenging recruitment markets for key roles within services. The ability to attract and retain talent has been considered within a recent Succession Planning review for CLT. CLT are scheduling a session to explore the most appropriate strategic response to workforce pressures which are unlikely to diminish in the foreseeable future.

While workforce capacity has reduced, in some instances the demands for services has increased. This has exacerbated pressures on existing staff and led to subsequent high levels of employee absence. Comprehensive support continues to be provided for colleagues' wellbeing, and for line managers to support the absence management process. Agency workers are being used to fill capacity gaps were appropriate, while recruitment campaigns continue to focus on the need to fill permanent positions.

4.7.10 Regulatory and Legislative Compliance remains Moderate and outwith risk appetite due to the long term use of temporary accommodation in response to the Ukraine crisis. This continues to be reviewed under the statutory Unsuitable Accommodation Order; performance reporting of statutory care and education services is being monitored closely due to workforce pressures against demand.

4.7.11 Reputational Risk remains Moderate and within risk appetite. The performance and delivery of services will continue to be scrutinised under existing Council committees, within which citizen impacts will be considered.

4.7.12 Fraud and Serious Organised Crime has increased to Moderate but remains within risk appetite. While no new significant instances have been recorded this quarter, several areas of improvement have been identified during a recent internal audit, and mitigating actions agreed for implementation throughout. Staff training and awareness continues to be promoted due to the heightened threat of cyber-attacks.

5. Next Steps

5.1 Resultant actions from the risks identified in this report will continue to be monitored within directorate and CLT risk committees, and are subject to further scrutiny within the next GRBV committee.

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 and failure to manage them appropriately may have financial consequences.

7. Stakeholder/Community Impact

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

8. Background reading/external references

8.1 Enterprise Risk Management Policy – Policy and Sustainability Committee November 2021 – item 7.17

8.2 Risk Appetite Statement - Policy and Sustainability Committee November 2021 – item 7.18

9. Appendices

9.1 Appendix 1 Enterprise Risk Descriptions and Impact Statements.

9.2 Appendix 2 Current Enterprise Risk Summary and Trends.

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Appendix 1: Enterprise 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 deliver 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 meet citizen needs effectively and in line with statutory requirements	Censure from national government and regulatory bodies; and adverse reputational impacts
R10	Workforce	Insufficient resources to support delivery of quality services that meet citizen needs effectively and in line with statutory requirements	Ongoing employee health and wellbeing; increased trade union concerns; censure from national government and regulatory bodies; and adverse reputational impacts
R11	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
R12	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
R13	Fraud and Serious Organised Crime	Isolated or systemic instances of internal and / or external fraud and / or serious organised crime	Financial consequences; loss of systems; loss of data; inability to deliver services; regulatory censure and penalties; and adverse reputational impacts

Appendix 2: Current Enterprise Risk Summary and Trends

CEC Risk Profile	trending					Current CLT risk ratings	
	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Maximum risk appetite
01 Strategic Delivery	High	Moderate	Moderate	Moderate	High	High	Moderate
02 Financial and Budget Management	Moderate	Moderate	Moderate	Moderate	High	High	Moderate
03 Programme and Project Delivery	High	High	Moderate	Moderate	Moderate	Moderate	High
04 Health & Safety	High	High	High	Moderate	Moderate	Moderate	Low
05 Resilience	High	High	High	High	High	Moderate	Moderate
06 Supplier, Contractor, and Partnerships Management	High	High	High	High	Moderate	Moderate	High
07 Technology and Information	High	Moderate	Moderate	Moderate	High	High	Moderate
08 Governance and Decision Making	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Low
09 Service Delivery	High	High	High	High	High	High	High
10 Workforce	n/a	High	Critical	High	High	High	Moderate
11 Regulatory and Legislative Compliance	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Low
12 Reputational Risk	High	High	Moderate	Moderate	Moderate	Moderate	Moderate
13 Fraud and Serious Organised Crime	n/a	Moderate	Moderate	Moderate	Low	Moderate	Moderate

Legend: Critical (black) | High (red) | Moderate (orange) | Low (green)