

Governance, Risk and Best Value Committee

10:00am, Tuesday, 1 August 2023

Corporate Leadership Team Risk Report as of 15 June 2023

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 15 June 2023; the most significant risks facing the Council; and the key actions being taken by the Council in response to those risks; and
 - 1.1.2 that several risks currently exceed the Council's agreed Risk Appetite levels and the measures being taken in these areas.

Andrew Kerr
Chief Executive

Contact: Chris Lawson, Head of Health and Safety and (Interim) Risk
Legal and Assurance Division, Corporate Services Directorate
E-mail: chris.lawson@edinburgh.gov.uk | Tel: 07732 405 330

Corporate Leadership Team Risk Report

Corporate Leadership Team Risk Report as at 15 June 2023

2. Executive Summary

- 2.1 The purpose of this report is to present the Council's risk profile as at 15 June 2023, highlight the most significant risks facing the Council, and identify 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 overall risk profile is set out in Section 4.4 of this report.

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 as at 15 June 2023.

4. Main report

- 4.1 This report contains the most significant risks discussed at the CLT risk committee on 15 June 2023 and the risk assessment for the Council's thirteen enterprise risks. This is based on the aggregated risk scores from directorates, overlaid with council-wide risks.
- 4.2 The Council's enterprise risk descriptions and potential impacts are included in the [Council's Risk Appetite Statement](#), and an overview of the Council's current enterprise risk profile and trending over time is set out in 4.4 below. The key the drivers for current risk ratings and associated mitigations are set out in section 4.5.
- 4.3 Risk assessments within this paper are based on management's view of the internal and external environments within which the Council operates, with subsequent actions considered in the context of the Council's risk appetite.

4.4 Over the past few years there has been a small lag between the risk reviews by CLT and quarterly reporting to Committee. In order to make the reporting to Committee more current in relation to the risks the Council faces, the table below records the latest updated position as at 15 June 2023. This June risk snapshot is therefore being reported as the quarter 2, 2023, position and it takes into account recent actions or emerging risk up to that date. Risk reviews by CLT will be scheduled to take place quarterly to better facilitate currency of onward reporting to GRBV.

4.5 The Council’s 13 enterprise risks have been rated as follows:

CEC Risk Profile	trending					CLT risk ratings	
	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q2 2023	Risk Appetite
01 Strategic Delivery	Yellow	Yellow	Yellow	Red	Red	Red	Yellow
02 Financial and Budget Management	Yellow	Yellow	Yellow	Red	Red	Red	Yellow
03 Programme and Project Delivery	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red
04 Health & Safety	Red	Yellow	Yellow	Yellow	Yellow	Green	Green
05 Resilience	Red	Red	Red	Red	Yellow	Yellow	Yellow
06 Supplier, Contractor, and Partnerships Management	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Red
07 Technology and Information	Yellow	Yellow	Red	Red	Red	Red	Yellow
08 Governance and Decision Making	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green
09 Service Delivery	Red	Red	Red	Red	Black	Black	Red
10 Workforce	Black	Red	Red	Red	Black	Black	Yellow
11 Regulatory and Legislative Compliance	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green
12 Reputational Risk	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
13 Fraud and Serious Organised Crime	Yellow	Yellow	Green	Green	Yellow	Yellow	Yellow



4.6 **Rationale for the Council’s 13 enterprise risk ratings, and associated actions**

A summary of the drivers for being out with risk appetite, actions being taken and timescale to bring the risk back within risk appetite is set out in Appendix 1. Each of the Council’s Enterprise risks is rated as set out in appendix 2.

The factors driving the current risk ratings and actions are not an exhaustive list of issues affecting, or which could affect, the City of Edinburgh Council. Those factors are often referenced and scrutinised within existing committees as part of business-as-usual activity e.g., budget management within Finance & Resources Committee.

Section 8 of this report contains links to the relevant committees, which can be used for further contextual information and detail as required. The Council's Annual Assurance Statements also provide wider detail of the current control environment, which will be presented for scrutiny by GRBV Committee.

5. Next Steps

- 5.1 Resultant actions from the risks identified in this report are being acted on as reported and will continue to be monitored within directorate and CLT risk committees and will be subject to further scrutiny by GRBV committee.

6. Financial impact

- 6.1 There are no direct financial impacts directly arising from this report, although there may be resource implications with managing individual risks. Effective management of risks is part of good financial management and failure to manage them appropriately may have a range of 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](#)
- 8.3 [Edinburgh Integrated Joint Board](#)
- 8.4 [Sustainable Capital Budget Strategy 2023-2033](#)
- 8.5 [Financial Strategy and Medium-Term Financial Plan](#)
- 8.6 [Adult Support and Protection and Social Work & Social Care Inspection Improvement plans](#)
- 8.7 [Workforce Deep Dive – Hard to Fill Roles](#)

9. Appendices

- 9.1 Appendix 1 – Enterprise Risk – Key drivers and mitigations for Enterprise Risks out with risk appetite
- 9.2 Appendix 2 - Current Enterprise Risks status

Appendix 1 Risk – Drivers and mitigations Risks out with risk appetite

Risk	Driver for being out with risk appetite	What will change external to CEC to reduce this risk	What action is being taken	Action owner	Date
01 Strategic Delivery	Lack of funding; Lack of resource.	External funding; Partnership support; Rebased target dates.	Prioritisation of workload against competing demands.	Place ; Corporate Services.	2024
02 Financial and Budget Management	Inflationary pressures (e.g. energy, pay awards, supplies); Flat lined government funding; Homelessness and demography pressures; Covid impact on fees and charges (including ALEO income); and EIJB unbalanced revenue budget.	External funding.	Change Programme established with £2m funding; Quarterly Capital and Revenue budget monitoring; Directorate Revenue savings proposals being developed; Prioritisation / recasting of Capital Programme; and Robust medium term financial plan being developed.	Finance	February 2024
07 Technology and Information	Legacy systems; Cyber-awareness.	n/a	New HR system; SWIFT replacement business case; Compliance Monitoring.	HR; HSCP; Digital Services.	April '25; June '23; Ongoing.
08 Governance and Decision Making	Several council-wide frameworks require improvement / embedding; ALEO governance; Unplanned demands.	n/a	Continual development and embedding of frameworks	SLT	Ongoing
09 Service Delivery	Workforce challenges impacting Service delivery; Adult Support and Protection and Social Work	Partnership support; External funding.	Prioritisation of critical services; Operational efficiencies; Targeted recruitment.	SLT HSCP	Ongoing

Risk	Driver for being out with risk appetite	What will change external to CEC to reduce this risk	What action is being taken	Action owner	Date
10 Workforce	& Social Care Inspection findings		Adult Support and Protection and Social Work & Social Care Inspection Improvement plans		
	Recruitment and staff retention against high demands	Partnership support for specialist recruitment.	HR Workforce plan and succession planning; Robust capacity planning. Workforce Deep Dive – Hard to Fill Roles New recruitment campaign toolkit for recruiting managers	HR; CLT; SLT.	Ongoing
11 Regulatory and Legislative Compliance	Unsuitable Accommodation Order; Impact of capacity and failure to adhere to timescales	n/a	Continued legislative forbearance on unsuitable accommodation; Monitor statutory demands against service delivery models and performance monitoring	Housing CEJS	Ongoing
	Pressure system inspections.		Remedial work and inspection of systems	Insurance / SLT	Q3 2023

Appendix 2 Current Enterprise Risk Status

1. **Strategic Delivery** risk is rated as **high** and is out-with the Council's current risk appetite of moderate.

The Council has an ambitious programme of strategic delivery. This current high rating is predominately driven by need to ensure policies and strategic commitments are supported by resource, through the development of a prioritisation framework to identify required resources for implementation of all policies, change and transformation. The Council will work with Partners to deliver poverty and prevention actions through community planning structures and seek opportunities for external funding for poverty and prevention actions.

The EIJB Strategic Plan needs to reflect the current difficult financial position, take cognisance of the recommendations from the two inspection reports (Adult Support and Protection and Adult Social Care and Social Work) and dedicate programme management resource to deliver.

The production of EIJB strategic plan was delayed to ensure alignment with the current operating environment, as well as the response to recent social care inspections and budget savings proposals. The development of a single overarching change programme aims to help support the move to an early intervention and prevention model.

2. **Financial and Budget Management** risk is rated as **high** and out-with the Council's current risk appetite of moderate.

This is mainly due to inflationary and demand pressures, alongside flatlined budgets, and limited identified options for immediate savings. The Council is also a funding partner of [Edinburgh Integrated Joint Board](#) (EIJB) where a substantial budget gap remains for 2023/24.

Budget monitoring is being undertaken and potential saving options are being developed and scrutinised across the Council, alongside monitoring of reserves and review of public expenditure forecasts.

Throughout 2023, robust financial planning will continue to be developed and embedded locally within services, as well as strategically within the Council's relevant policies and business planning, linked to this is the [Sustainable Capital Budget Strategy 2023-2033](#). This position is detailed in the [Financial Strategy and Medium-Term Financial Plan](#). Opportunities for external funding will continue to be sought, alongside reprioritisation of existing budgets.

It is likely this rating will remain out with the Council's risk appetite beyond 2023 as a result of adverse economic forecasts and the challenges outlined above.

3. **Programme and Project Delivery** is rated as **moderate** and is within risk appetite.

The moderate rating reflects the size and scale of the current programme of works and recognises that the Council faces significant financial and resourcing challenges in delivering key programmes and projects.

The Council's Change Portfolio is closely managed, with regular oversight reporting to GRBV. Executive Committees are kept up to date with programme and project delivery (which doesn't form part of the Council's Change Portfolio) at appropriate times.

These controls will remain in place beyond 2023, as will the likelihood of a moderate risk rating, based on the consistent and understood reliance the Council places on project delivery in pursuit of its objectives.

The Council's Ukrainian Project has welcomed over 10600 displaced Ukrainians through the Welcome Hub since March 2022, with over 3000 individuals currently residing in a range of settings across the Capital. Following the UK Government decision to close the use of the MS Victoria from 11 July 2023, which had been accommodating 1200 individuals, comparable accommodation provision has had to be sought across the country in conjunction with the Scottish Government. This has resulted in significant increased use of hotel and apartment accommodation within the city.

There remains uncertainty surrounding this project relating to the length of time accommodation demands will continue and the longevity of the mix of accommodation provision available through this period procured by the Scottish Government. The Project Board continues to engage with partners to monitor the ongoing situation seeking to make provision to continue meeting the needs of the Ukrainians.

4. **Health and Safety** is rated as **low** and is within risk appetite (also low)

The Council provide a wide range of activities and undertake an associated broad range of operational tasks, as a result a wide range of health and safety legislation applies to the City of Edinburgh Council. The council have developed a Health and Safety Strategy 2023-2028 which seeks to ensure the Council has a health and safety system which sets the Council up for success in all aspects.

In addition to the H&S legal requirements the Council have fire safety duties to adhere to. One of which requires the Council to have competent Fire Risk Assessments for all operational sites.

The Council have also had to change their response to fire alarm activations in non-sleeping accommodation arising from a change in practice from the Scottish Fire and Rescue Service (SFRS) decision to stop responding to fire alarm activations from 1 July 2023 unless a fire is confirmed. The Fire Risk Assessments process is ongoing and a procedure for the identification, monitoring and prioritisation of financial and resource implications has been put in place. New Fire Safety Guidance, information and training has been rolled out in preparation for the 1 July SFRS change.

In addition, the Council is currently working on financial and delivery plans to introduce permanent hostile vehicle mitigation measures in the city.

5. **Resilience** is rated as **moderate** and is within risk appetite (also moderate). While the potential impacts of disruptive events remains high, this rating reflects the Council's responsiveness to crises throughout the last 18 months, notably during Project Unicorn, industrial action, and Edinburgh's response to the illegal invasion of Ukraine.

While recognising Council staff's ability to respond to such events, it was agreed in CLT Risk Committee that further proactive business continuity / contingency plan testing should be completed, to ensure preparedness across the Council for potential crises in future.

A schedule for future testing can be expected in Q4 2023, with ongoing monitoring to take place within the existing quarterly Council-wide Resilience Group meeting.

Given the likelihood of diverse events occurring across the city in future, it is expected that this risk will remain as moderate, managed through contingency planning, and in response to a live incident when needed.

6. **Supplier, Contractor, and Partnership Management** is rated as **moderate** and is within risk appetite (high).

This rating reflects the continued reliance on suppliers and partnership working to deliver services and projects, most notably the substantive work carried out by the Council's technology partner, CGI. The rating also represents the challenges in delivering consistent and effective contract and supplier management across the Council, and also within complex Insurance Markets.

Services continue to receive Contract Management Training, support and compliance monitoring from the Commercial and Procurement Services team.

CGI performance updates feature quarterly within GRBV, and insurance updates form part of reporting into Finance & Resources Committee.

Given the dependency on key suppliers will likely continue for the foreseeable future, it is expected that this risk will remain as moderate and continue to be managed accordingly.

7. **Technology and Information** is rated as **high** and is out with the Council's current risk appetite of moderate.

This rating reflects reliance on essential legacy systems, including but not limited to iTrent and SWIFT, and the continued risk of cyber-threats which set out in detail by [National Cyber Security Centre](#) and [Scottish Gov Cyber Resilience](#).

The acquisition of a new HR system has been approved by Council, and is scheduled to be implemented by April 2025. A replacement for the SWIFT has been scoped, with a full business case paper reported to Finance and Resources committee on 20 June 2023. The next stage of detailed due diligence is now being progressed with the preferred vendor with a view to taking a report back to F&R in the late Autumn for a recommendation to Award Contract. The aim would then be

to set up a project and to commence a 2 year deployment from January 2024. There is no funding stream yet identified for the replacement of SWIFT and this currently sits as an additional budget pressure as reported by Finance in the Budget Outturn report.

This is a complex system replacement where work is also required on cleansing data and streamlining process as part of the Service Improvement Plans and strengthening social work practice.

The Cyber threat is real and consideration to future investment of systems should be high on members' agenda, in order to ensure the organisations data is protected and we have the most up to date and secure systems.

Consideration should be given to an annual investment as part of the Capital programme.

Ongoing functionality challenges with SWIFT continue to be managed tactically under the Swift Recovery Plan, with oversight from the Swift Governance Group. Mitigation in relation to loss of data is also being considered.

Completion rates of mandatory cyber-security training are monitored on a regular basis, with non-compliance highlighted to services by the Cyber and Information Security Steering Group (CISSG). Service responsiveness to a successful cyber-attack is scheduled to be reviewed as part of the 2023/2024 audit plan, and is expected to have business continuity oversight from the Council Resilience Group.

It is likely this risk will remain out-with appetite until all necessary systems have adequate funding and have been successfully implemented. Further details can be found within the GRBV Digital Services Quarterly Status Update.

8. **Governance and Decision Making** has been rated as **moderate** and out-with the Council's current risk appetite of low.

This rating has a number of contributing factors.

Several frameworks are in the process of being developed or improved, or require further embedding within the organisation.

Areas for development have been identified within the Governance team with the purpose of supporting decision making from officers which may have regulatory compliance or legal implications. The Resilience framework requires further embedding throughout 2023, and the need to strengthen governance over the Council's Arm's Length External Organisations (ALEOs) has been recognised.

Current Workforce pressures is a contributing factor to the embedding of these frameworks as is unplanned demands for officer time, while balancing competing priorities.

The action to respond to workforce challenges is set out in item 10 below and will assist in creating the capacity to prioritise development and embedding of governance frameworks.

9. **Service Delivery** is rated as **critical** and is out with the Council's current risk appetite of high.

The Council continues to experience challenges in service delivery due to demand and also in attracting and retaining people (particularly in some statutory services).

Significant challenges are noted within the Health & Social Care Partnership following the Inspection of Social work and Social Care.

Officers continue to monitor service demand and delivery pressures and, where necessary, plans are put in place to address significant challenges. These plans are reported regularly to the appropriate Executive Committee, with ad-hoc updates on particular challenges provided if necessary.

Given the challenges key services are facing, it is likely this rating will remain High until key elements of the [Adult Support and Protection and Social Work & Social Care Inspection Improvement plans](#) have delivered sufficient improvement.

10. **Workforce** is rated **critical** and out-with the Council's current risk appetite of moderate.

This rating reflects significant challenges in recruitment and retention of staff across the Council, while demand for services continues to rise.

Services continue to drive recruitment for their own needs locally, while looking to optimise existing capacity as efficiently as possible.

A [Workforce Deep Dive – Hard to Fill Roles](#) report was taken to Finance and Resource Committee outlining the key challenges here and setting out a range of steps the Council are taking in response, including a new recruitment campaign toolkit for recruitment managers.

Centrally, the HR Workforce plan, including succession planning, is an ongoing piece of work which is expected to continue throughout 2023. Directorates will continue to prioritise key services, while setting expectations against those demands which exceed capacity.

Following recent successful recruitment campaigns, it is expected this rating will improve over the course of 2023.

11. **Regulatory and Legislative Compliance** is rated as **moderate** and out with the Council's current risk appetite of low.

The use of temporary accommodation in response to the Ukraine crisis 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 versus demand.

It is hoped that further forbearance will be granted under the Unsuitable Accommodation Order while demand for accommodation continues to be high. The work to review and develop clear guidance on work equipment is expected to be completed in quarter 2 of 2023.

The Council identified the need for remedial work on some heating plant to facilitate the inspection of equipment. More widely, work has been undertaken to develop more prescriptive arrangements on the management of work equipment, in particular around performance reporting to give organisational oversight and confidence going forward.

It is unlikely that this rating will improve within 2023, given challenging accommodation requirements and high demands on services.

12. **Reputational Risk** is rated as **moderate** and within risk appetite (also moderate).

Reputational risk is the risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by the City of Edinburgh Council itself, our employees or those with whom we are associated, that may cause stakeholders to form a negative view of the Council.

The performance and delivery of services continue to be scrutinised within existing Council committees, with consideration given to citizen impacts.

In relation to recent concerns regarding events held within a Council venue, officers are working to update venue contracts and produce policy in relation to use of public buildings.

It is likely this rating will remain as moderate due to the complex nature of services, and critical focus the City of Edinburgh operates under.

13. **Fraud and Serious Organised Crime** is rated as **moderate** and within risk appetite (also moderate).

No new significant instances have been recorded. Those areas of improvement identified in a recent Internal Audit are being taken forward throughout 2023. Staff training & awareness continues to be promoted due to the heightened threat of cyber-attacks.

The Council have reconvened the Fraud and Serious Organised Crime group within the Council to support the development of a Fraud and SOC framework to provide greater clarity on how to manage these risks across the Council.

On the understanding that no significant instances of fraud take place, it is likely this rating will improve by year-end 2023, once the remedial internal audits actions are completed and controls improved.