

Governance, Risk and Best Value Committee

10.00am, Tuesday, 11 October 2022

Corporate Leadership Team Risk Report as at 29 August 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 current risk profile;
 - 1.1.2 The ongoing impacts of risks associated with public sector budget reductions, the Council's response to the Ukraine crisis and the current economic and cost of living crisis; and
 - 1.1.3 Progress with the risk management framework.

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Corporate Leadership Team Risk Report as at 29 August 2022

2. Executive Summary

- 2.1 The purpose of this paper is to present the Council's current risk profile, as at 29 August 2022, and to highlight changes in the period in relation to the most significant risks facing the Council, along with the key actions being undertaken to reduce the level of risk to within the Council's agreed risk appetite.
- 2.2 During this risk reporting period, a new risk reporting process was implemented across all four directorates to improve the flow of key risks from services to divisions, to directorates and then to CLT. This report contains the most significant risks reported through this process.
- 2.3 The current risk assessments are based on management's view of the internal and external environments within which we operate.
- 2.4 It is worth highlighting that the Council has been dealing with a number of high profile and complex events which have impacted the Council's limited resources. The Covid epidemic, the response to the Ukraine crisis and the general health and social care pressures have necessitated particularly challenging and sustained responses from the Council. In addition to this, the Council has recently had to respond at very short notice to the sad passing of Her Majesty The Queen and will also require to face into the impacts of wider public sector budget reductions and the cost of living crisis. Whilst the Council has, and continues, to respond to these concurrent events and pressures, these matters have had and will continue to have a direct impact on the long term resilience of staff being able to sustain such high levels of delivery over the medium and longer term. Put simply, without extra resource and/or recovery time, workforce capacity and energy reserves are depleted and this will have a detrimental impact on business as usual activity. This operating context potentially impacts the Council's ability to deliver our business plan and strategy commitments. This reinforces the importance of a greater focus on a more limited number of priorities, which will underpin the approach to a revised Council Business Plan.

- 2.5 Three risks increased in the period from Moderate to High, for Strategic Delivery, Finance and Budget Management and Technology and Information.
- 2.6 Two risks reduced in the period (1) from High to Moderate for Supplier, Contractor, and Partnership Management; and (2) from Moderate to Low for Fraud and Serious Organised Crime.
- 2.7 There are no risks assessed as Critical. There are six High risks, six Moderate risks and one Low rated risk.
- 2.8 Eight risks currently exceed the Council's risk appetite which are Strategic Risk; Finance and Budget Management; Resilience; Technology and Information and Workforce; Health and Safety; Governance and Decision Making; and Legal and Regulatory Compliance.
- 2.9 The risk management framework is currently being reviewed taking account of further stakeholder feedback.

3. Background

Risk Reporting

- 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 2 2022.

4. Main report

Quarter 2 2022 Current Risk Profile (as at 29 August 2022)

- 4.1 This report contains the most significant risks discussed at the CLT risk committee and the revised risk assessment for the Council's thirteen enterprise risks. This is based on the aggregated risk scores from divisions up, with any overlay of CLT level risks.
- 4.2 Details of enterprise risk descriptions and their potential impacts are included in Appendix 1, and a summary of the Council's current enterprise risk profile and its movement across the last five quarters is included at Appendix 2.
- 4.3 The current risk assessments are based on management's view of the internal and external environments in which we operate and known controls weaknesses in relation to the risks we manage.
- 4.4 There were five changes in the level of risk ratings in the period:
 - 4.4.1 Three risks increased from Moderate to High, for Strategic Delivery, Finance and Budget Management and Technology and Information.

- 4.4.2 Two risks reduced (1) from High to Moderate for Supplier, Contractor, and Partnership Management; and (2) from Moderate to Low for Fraud and Serious Organised Crime.
- 4.5 The level of risk for eight enterprise risks currently exceeds the Council's agreed risk appetite:
- 4.5.1 Five High risks which include, Strategic Risk; Finance and Budget Management; Resilience; Technology and Information and Workforce.
- 4.5.2 Three Moderate risks which include, Health and Safety, Governance and Decision Making and Legal and Regulatory Compliance.
- 4.6 There are no enterprise risks assessed as Critical. There are six High rated risks, which include Service Delivery (where the rating remains the same in the period), as well as those listed in the previous paragraph, six Moderate risks and one Low rated risk.
- 4.7 For the most significant risks, information is provided below which details the rationale supporting the risk assessment changes and why risks exceed risk appetite.

Strategic Delivery

- 4.8 The current risk increased from Moderate to High in the period and it is now outwith the agreed risk appetite range.
- 4.9 Since the issue of the Business Plan, Our Future Council, Our Future City, and the various priorities strategies and plans, including, but not limited to, the Council's Emissions Reduction Plan, the Poverty Prevention Programme, City Plan 2030, Corporate Asset Strategy, City Mobility Plan and the 20 Minute Neighbourhood Plan, the Council has been facing a challenging financial outlook, with reducing budgets, economic impacts and rising costs, at the same time as reduced capacity, due to the loss of, or ability to retain, key staff.
- 4.10 The Council Business Plan and related strategies, service and implementation plans are being reviewed and prioritisation frameworks developed to ensure that available resources and funding are focused on the areas which will have the greatest positive impact on expected agreed priority outcomes. Timelines may need to be adjusted or decisions made to reduce scope and deliverables.
- 4.11 Programme management resources needs to be recruited in a current challenging employment market for the Council's 2030 Climate Strategy, the Council's Emission Reduction Plan and the Poverty Prevention Programme, and budget funding secured for permanent team structures.

- 4.12 Council asset management strategies and service plans are being aligned to the Council's priorities and updated to cater for innovation, future strategy changes and growth, with unfunded capital and revenue gaps being identified and submitted for budget considerations.

Financial and Budget Management

- 4.13 The current risk increased from Moderate to High in the period and it is now outwith the agreed risk appetite range.
- 4.14 The Council is facing public sector budget reductions, a challenging economic environment with rising inflation and costs, (particularly with utility, fuel, and construction costs), and revenue pressures from citizens and businesses with income and cost of living constraints. These are at a time when the demand for Council services is increasing, Council finances have not recovered from the impacts of Covid, and the Council is responding to the current and future support needs of Ukrainian refugees.
- 4.15 The Council is developing its medium-term revenue and capital financial plans to align with sustainable service plans, with a key focus on the identification of revenue savings and efficiencies which (if not identified and successfully delivered) could create future pressures.
- 4.16 Changes to the business plan, strategies, service, and implementation plans will be reviewed in line with the financial planning and budget process. It is acknowledged that there are plans and project funding gaps that need to be considered. In particular, the corporate plans for poverty, climate change and zero emissions currently do not have bespoke financial strategy and budgets to ensure delivery. The programme management teams will engage with key stakeholders to focus on their development and report to the relevant executive committees.
- 4.17 Due to the current economic climate, inflation and the significant increases in construction costs, many capital projects are seeing increased financial pressures. The annual capital budget needs to be reviewed and managed dynamically, with downstream impacts and strategy changes considered in the longer term (ten year) capital forecast.
- 4.18 In addition to the pressures above, the Health and Social Care Partnership is experiencing financial pressures. Savings proposals and their potential impacts on services and quality of services are being considered as part of the financial planning process and will be reported to the relevant executive committees.

Health and Safety (including Public Safety)

- 4.19 The current risk remains unchanged at Moderate which is outwith the agreed risk appetite range.

- 4.20 The number of positive COVID cases being reported has seen a sustained reduction during this period. COVID workplace controls continue at this time in line with Scottish Government Guidance and Health and Safety Executive Guidance. The guidance on appropriate workplace controls continues to be monitored.
- 4.21 Control weakness were identified in the management of fire safety which required a review of the regulatory fire risk assessment process. Quotes to appoint competent suppliers to undertake the initial risk assessments, along with proposed implementation plan and revised operating procedures, are being prepared for the appropriate executive committee.

Resilience

- 4.22 The current risk remained at High, which is outwith the agreed risk appetite range.
- 4.23 This assessment reflects the long term stress on operational capacity from dealing with one external crisis event after another or concurrently. This includes the start of the Covid pandemic in early 2020, to the response on the Ukraine crisis and now with the economic, inflation and cost of living pressures on the public sector and on businesses and citizens within the City of Edinburgh. The reallocation of resources and capacity to deal with these events impacts normal service delivery and may adversely impact the achievement of our strategic plans and priorities, given current workforce and funding challenges.
- 4.24 The Health and Social Care Partnership is preparing plans to manage significant winter pressures placed on its services, considering current resources and capacity and demand on services that may result from the cost of living impacts on citizens.

Supplier, Contractor, and Partnership Management

- 4.25 The current risk reduced in the period from High to Moderate and remains within the risk appetite range.
- 4.26 The Uranian war, the economic climate and inflation are causing supply chain challenges. Price increases are being closely monitored to identify significant budget pressures, with Commercial and Procurement Services monitoring supplier sustainability and adjusting procurement frameworks to manage risks.

Technology and Information

- 4.27 The current risk increased from Moderate to High in the period and is now outwith the agreed risk appetite range.
- 4.28 The Ukrainian war and home working has heightened the threat of cyber-attacks globally, along with cyber-attacks becoming more sophisticated with relevant online information being used. The results from a recent Council phishing exercise

identified the need to improve awareness of cyber risks through increasing the uptake of cyber security training.

- 4.29 Two key systems, iTrent (HR System) and SWIFT (holds personal records used by social work and other services), are both end-of-life systems which are showing signs of systematic issues. The suppliers are no longer supporting or developing the software as these have been replaced by a newer generation of products. Services are in the process of reviewing alternative systems available in the market and will be developing business cases for replacements.
- 4.30 The Council may be exposed to security threats from the use of Shadow IT (third party applications and systems, not supported by Digital Services) which are either cloud based or are on servers connected to the Council networks. A detailed cloud based / shadow IT framework has been designed, implemented, and communicated across the Council and is supported by Digital Services and Procurement reviewing requests and the onboarding process of new shadow IT. Enhanced non-compliance reporting to senior management will be developed and embedded to provide visibility of risk exposures.

Governance and Decision Making

- 4.31 This current risk remains Moderate and outwith the agreed risk appetite range.
- 4.32 This risk reflects the appointment of a new administration where it will take time to embed the new political management arrangements; support new elected members in familiarising themselves with Council strategies, policies, and plans, allowing time for any realignment of priorities. During this period, it may be possible that routine decisions, that cannot be delegated to Council officers, may be delayed.
- 4.33 This assessment also reflects the risks associated with the implementation of the refreshed risk management framework that supports strategy, planning and decision making, and the implementation of the new governance and assurance model, to support both service delivery and assurance outcomes.

Service delivery

- 4.34 This current risk remains High and within the agreed risk appetite ranges.
- 4.35 There are ongoing critical service delivery challenges within the Health and Social Care Partnership, reflecting ongoing pressure from the NHS to support timely hospital discharges; challenges with third party service providers who continue to transfer care packages back to the Partnership; and a general increase in demand for adult social care services. This combined demand for services significantly exceeds the Partnership's current delivery capacity given ongoing workforce supply challenges across the care sector. Although the risk remains stable, there is concern that any new resilience event or change in the economic situation could create additional pressures, resulting in critical services not being delivered. It

remains likely that a number of 'business as usual' service delivery operational controls are not being consistently and effectively applied.

- 4.36 There are several activities in place to manage these pressures, including recruitment of additional staff to fill vacancies and a review of operating procedures to improve flow, such as the Discharge to Access and Home First initiatives, and to make best use of capacity, such as One Edinburgh.
- 4.37 The response to the Ukrainian refugee crisis is ongoing and continues to place particular pressures on a number of council services including housing, homelessness, schools, trauma and mental health, social work and GP services. Current pressures include limited school accommodation space, current and future, and impact on workforce resources. Teams are engaged in forward planning in collaboration with corporate support teams, based on information received from the Scottish Government which considers future scenarios of refugee numbers and their impact on services, resources and capacity.
- 4.38 A number of service reviews and improvement plans are being undertaken and implemented to address quality and performance, and to produce required savings. These places pressures on existing teams to continue to deliver services during a period of change, whilst transitioning to new ways of working. Improvement plans include, but are not limited to, the Housing Services Review and Improvement Plan, Mixed Tenure Improvement Plan and the Homelessness Transformation Project.

Workforce

- 4.39 This current risk remains High and outwith the agreed risk appetite range.
- 4.40 Workforce challenges, although stable, remain a significant pressure for the Council, most notably in the Health and Social Care Partnership. There are recruitment pressures across all divisions impacting the Council's ability to attract and retain talent, attributable to the current employment market conditions, competitive market pay packages, post pandemic increase in the workforce considering changing careers or moving on, the impact of recent negative media coverage and cost of living increases.
- 4.41 In addition, to the long-term operational resilience pressures on colleagues, the impact of efficiency and savings requirements within the medium-term financial planning may create a level of uncertainty with colleagues which can de-stabilise the workforce, resulting in further layers of workforce pressures.
- 4.42 Services across the Council are implementing several measures to try to address these risks, including expanding and maximising recruitment channels and promotion of roles, embedding the new recruitment approval process, workforce planning and identification of skill shortages with contingency plans, backfill with

agency staff, senior management townhall sessions, and the development and implementation of succession planning.

- 4.43 The significant increase in inflation and cost of living pressures on the workforce, resulted in pay award challenges by trade unions and strike action by Waste and Cleansing staff, with potential strike action from other teams. With the uncertain economic outlook, there remains the potential risk of further strike action, when the Council will continue to work with the trade unions and COSLA.

Regulatory and Legislative Compliance

- 4.44 This current risk remains Moderate and outwith the agreed risk appetite range.
- 4.45 The Health and Social Care Partnership continues to be concerned with its capacity to meet statutory obligations given the workforce and service delivery challenges highlighted above, with waiting lists and demand for services, which continues to be closely managed.
- 4.46 The Council has taken on additional temporary accommodation to meet demand in response to the Ukraine crisis, with one accommodation service being classed as unsuitable (bed and breakfast type accommodation) under the Unsuitable Accommodation Order. There may be a requirement to take on more of this type of unsuitable classed accommodation to meet future demand. The Council continues to seek to transform the mix of suitable accommodation as part of its rapid rehousing transition plan to increase the stock of accommodation classed as suitable under the Unsuitable Accommodation Order.

Risk Management Framework

- 4.47 During this risk reporting period, a new risk reporting process was implemented across all four directorates to improve the flow of key risks from services to divisions, then to directorates and CLT. The process involved each service identifying their top risks and then divisional management agreeing the top risks for inclusion in the divisional risk reports presentation at the directorate risk committees. At the directorate risk committees each divisional report was reviewed, and agreement reached on the top risk to be included in the directorate risk reports presented at the CLT risk committee.
- 4.48 In addition to the new risk reporting process, initial work has begun on the collation of Key Risk Indicators to support the enterprise risk assessments and to provide early warnings signs of potential risk exposures. These indicators are already monitored by teams and will continue to be developed over the next few reporting periods. Examples of risk indicators include, for the finance and budget management risk; the percentage of sustainable savings achieved against plan and level of 10 Year capital investment programme not funded, and for service delivery;

suitable temporary accommodation and number of waiting lists for social care assessments.

- 4.49 Following the roll out of the above risk reporting process and further feedback on the risk management framework from stakeholders, the framework will be reviewed to consider the means and methods which best support risk recording and inform future decision making. Any changes arising from this review will be presented to the Corporate Leadership Team.

5. Next Steps

- 5.1 Once developed, progress implementation of the revised framework across the Council.

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 resilience 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

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

Critical
High
Moderate
Low

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