

The Highland Council
Audit & Scrutiny Committee – 24th March 2016

Agenda Item	5
Report No	AS/3/16

Six-monthly review of corporate risks

Report by Head of Audit & Risk Management

Summary

This report provides details of the latest review of the corporate risks by the Executive Leadership Team (ELT).

1. Introduction

1.1 The corporate risk register has been recently reviewed by the ELT and the results of this review are provided within section 2 below.

2. Review of Corporate Risks

2.1 A number of changes have been made to the risk register, as detailed below, and the amended register is provided at **Appendix 1**.

(i) Above the line risks:

There are 12 above the line risks due to the following changes:

- 2 risks, information security (THC 22) and workforce planning (THC 40) have been removed from the register as the required actions to address these risks have been completed.
- 1 risk in relation to holiday pay (THC 42) has moved to below the line as there are only a small number of claims which are cisted at tribunal pending legal decisions.
- 1 risk has moved up from below the line. This relates to the SWAN contract (THC 43) and this is due to a number of operational and financial risks which were considered in private by the Resources Committee on 24/02/16.
- 2 new risks have been added: delivery of agreed budget savings in 2016/17 (THC 46) and reduction in workforce (THC 47).

Details of the risk profiles can be found at **Appendix 2**.

(ii) Changes to actions:

Details of any changes to actions since the last report to Committee are provided in the update section. These have resulted from completion of existing actions, addition of new actions and revisions to target dates.

(iii) Below the line risks

There are now 5 below the line risks, as detailed at (i) THC 42 has moved to below the line and THC 43 has moved to above the line. 2 new risks have also been added:

- Re-design of the Council (THC 44)

- Good governance arrangements in local Committees (THC 45).

There has been no change to risks THC 12 (equal pay liability) and THC 26 (consolidate and sustain integration).

3. Implications

- 3.1 The risk management process reduces the Council's exposure to risk by ensuring that the corporate risks identified are actively managed. There are no Resource, Legal, Equalities, Climate Change/ Carbon Clever, Gaelic or Rural implications arising from this report.

Recommendation

Members are asked to:

- Scrutinise the corporate risk register provided at **Appendix 1** and consider the risk profile at **Appendix 2**.
- Note that a further review of the corporate risks will be undertaken by the ELT and the results of this will be reported the September Committee.

Designation: Head of Audit & Risk Management

Date: 15th March 2016

Author: Donna Sutherland, Audit & Risk Manager

Background Papers

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Development & Infrastructure (2.1 – 2.5), Director of Community Services (2.6)	Financial & Physical	D3	C3		
Risk No. & Details					
THC 2 – If the Council does not rationalise property assets there will be too much money tied up in fixed assets, their poor condition will mean they are not fit for purpose and running costs, including carbon emissions, will be excessive.					
Action Information:					
<u>Rationalisation of offices:</u> A number of office rationalisation projects are being undertaken within different areas under the overall control of the Director of Development & Infrastructure. Each project, except Inverness which is in the early stages, has a Project Board which meets on a regular cycle with the Director reviewing progress. The present projects and their milestones are detailed below:					
Action No. & Details		Responsible Officer		Target Date	
THC 2.1 - Delivery of new Council office in Wick.		Ward Manager Thurso, Wick & Landward Caithness		Completed	
THC 2.3 - Delivery of new Council office in Fort William.		Senior Ward Manager, RSL		May 2017	
THC 2.4 - Delivery of new Council office in Kingussie.		Ward Manager (Nairn, Badenoch & Strathspey)		June 2016	
THC 2.5 - Options appraisal paper to be produced for Inverness office project.		Director of Development & Infrastructure		December 2016	

Rationalisation of depots and stores

As part of the changes arising from the Service restructuring, the Director of Community Services has initiated a review of the number of strategic depots and stores with a view to reducing these.

Action No. & Details	Responsible Officer	Target Date
THC 2.6 - Reducing number of strategic depots and stores	Performance & Building Maintenance Manager/ Head of Roads & Transport	March 2018

Update:

THC 2.1 – the target date was September 2015 but this was delayed until the following month when staff moved into the new offices and this has now been completed.
THC 2.4 – the handover date has been revised from September 2015 to June 2016. This is mainly due to issues with the poor condition of the original roof which needs to be replaced.
THC 2.5 – the target date has changed from December 2015 to December 2016 to allow for a preferred option to be identified which is supported by a robust business case. This will then be considered by the Executive Leadership Team.

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Customer/ Citizen	D3	D3		
Risk No. & Details					
THC 6 – If the Council is unable to plan and training is insufficient for an emergency, then there is the risk that we do not mitigate the impact upon our communities or recover quickly enough.					
Action Information:					
Action No. & Details		Responsible Officer	Target Date		
THC 6.1 - Embedding the new emergency planning measures included in the Partnership Agreement with NHS Highland, addressing health and social care responsibilities and policies.		Director of Care & Learning	On-going		
THC 6.4 - A training and exercising regime is maintained to provide relevant staff with the skills and knowledge they may need in a response to a major incident.		Emergency Planning and Business Continuity Manager	December 2015		
THC 6.5 – The provision of training and undertaking exercises is an on-going part of the remit of Emergency Planning.		Emergency Planning and Business Continuity Manager	On-going		
Update:					
THC 6.4 – this action has been completed. A new action THC 6.5 has been added.					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Financial & Customer/ Citizen	E3	C3		
Risk No. & Details					
THC 17 - If the Council does not design and support staff in new ways of working, then budget challenges will lead to cuts in services.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 17.2 The Council in December 2014 agreed a programme of work to deliver transformational savings of £18M over next 4 yrs.			Programme Manager	March 2017	
Update:					
THC 17.2 – the target date have been revised from March 2016 to 2017. The Transformation Programme remains on-target and quarterly progress reports are provided to the Resources Committee.					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Head of Policy & Reform	Customer/ Citizen	D3	C2		
Risk No. & Details					
THC 23 - If the Council does not engage effectively with its partners then it will not capitalise upon the benefits of improved community working and resilience.					
Action Information:					
Action No. & Details		Responsible Officer	Target Date		
THC 23.1 - Review of partnership arrangements; including the organisation of inspection processes and development of Community Learning and Development and plans.		Head of Adult Services	September 2015		
THC 23.2 - The Council and the 4 other named bodies with a shared responsibility for community planning must agree how it will facilitate community planning and meet the new duties from the Community Empowerment Act (2015).		Head of Policy and Reform	December 2016		
Update:					
<p>THC 23.1 is complete. The Community Learning and Development Plan 2015 - 18 was agreed by the Education, Children and Adult Services Committee on 27/08/15. A copy of the plan was also circulated to the Highland Community Planning Partnership Board on 11/09/15. Implementation will be addressed through the local District Delivery Plans, For Highlands Children, the Change and Improvement Plan and other Partnership delivery plans.</p> <p>THC 23.2 has been added as a new action. Statutory guidance for the Act is now expected by September 2016. Reports have been made to the Community Planning Partnership (CPP) Board and Chief Officers Group at meetings since late 2014. Work underway on local CPP arrangements and actions are progressing also on participation requests and asset transfer. The Council has led all of this work and partners need to commit more fully to their development.</p>					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Legal	E3	C2		
Risk No. & Details					
THC 35 - If a short and medium term budget strategy is not reviewed and updated then the Council will not be able to set a balanced budget by February 2016 and will not be in a position to address further financial challenges in the years following.					
Action No. & Details			Responsible Officer	Target Date	
THC 35.7 - Further consultation focussing on the detailed projections and service impacts with the ELT and Administration group.			Director of Finance	December 2015	
THC 35.8 - Identify additional savings required to balance the budget.			Director of Finance	December 2015	
THC 35.9 - Ensure delivery of existing service and transformation savings which are included within the budget.			Director of Finance	February 2016	
THC 35.10 - Consider the implications of the report from the Commission on Local Tax Reform.			Director of Finance	November 2015	
THC 35.11 - Budget agreed by Council.			Director of Finance	February 2016	
THC 35.12 - Assess and model funding implications arising from the Local Government Finance Settlement.			Director of Finance	December 2016	
THC 35.13 – Prepare and present 3 year budget for the period 2017/18 to 2019/20.			Director of Finance	February 2017	
Update:					
<p>Actions THC 35.7 – 35.11 have all been completed.</p> <p>The risk details will be amended to reflect that the short term budget position has been addressed with the setting of the 2016/17 budget and this will now concentrate upon the requirement for a medium term budget strategy covering the financial years 2017/18 to 2019/20. New actions THC 35.12 and 35.13 have been added to address this. It should be noted that this also links with new risk THC 44, re-design of the Council, added to the register which is planned for completion by 31st December 2016.</p>					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Finance	Financial & Customer/ Citizen	D3	C2		
Risk No. & Details					
<p>THC 36 - If the Council does not address and manage the impact of changes arising from the Welfare Reform Act this will be to the detriment of our communities. Changes include reduction in Council income from DWP subsidy and lower entitlements for claimants leading to hardship for many customers and possible increased rent arrears. In so far as arrears are not mitigated by specific measures (e.g. Discretionary Housing Payments), this will pose a threat to landlords generally and the Council's ability to provide and maintain social housing. The wider consequences will be many millions of pounds taken annually out of the local economy, and increased demands upon local services.</p>					
Action Information:					
Action No. & Details		Responsible Officer	Target Date		
THC 36.1 - Continue Finance Service involvement at Scottish and UK level around the design and implementation of Universal Credit as only live site in Scotland.		Director of Finance	March 2017		
THC 36.2 - Lobby for policy and procedural improvements; also adequate administration subsidies and welfare mitigation funding.		Director of Finance	March 2017		
THC 36.3 - Provide oral and written evidence as necessary to both Parliaments on welfare issues. (Oral evidence provided at the Local Government and Regeneration Committee on 28/05/14.)		Director of Finance	March 2017		
THC 36.4 - Work closely through COSLA and with Scottish Government to ensure rural challenges are recognised.		Director of Finance	March 2017		
THC 36.5 - Provide Local Support Services through Universal Credit Service Delivery Agreement with DWP. (This is already in place but support will expand until March 2017.)		Director of Finance	March 2017		
THC 36.6 - Provide financial resources to internal Money Advice and Income Maximisation teams, and Citizen Advice Bureaus locally for advisory services and appropriate levels of assistance to local customers. (Already in place but demand led to March 2017).		Director of Finance	March 2017		

THC 36.7 - Minimise financial risks through effective use of Council's own aggregate Welfare Fund including Discretionary Housing Payments, Scottish Welfare Fund monies, and Council Tax Reduction, and source third party funding to augment Council Welfare Reform provision.	Director of Finance	March 2017
THC 36.8 - Represent Council on Board of national Money Advice Project in order to influence future developments.	Director of Finance	March 2017
THC 36.9 - If and when customers with housing costs migrate across to Universal Credit, put new support structure in place changing the nature of the Council's involvement from one of administration of Housing Benefit to mitigation of Universal Credit.	Director of Finance	March 2017
THC 36.10 - Maintain legacy systems in parallel with Universal Credit into the future.	Director of Finance	March 2022
THC 36.11 - Use the Welfare Fund to mitigate against the impact of welfare reform. Proposals developed through the Member working group and agreed at Resources Committee. (Note the fund is not recurring.	Head of Policy & Reform	March 2017
THC 36.12 - New ESF programmes under development with 2 streams to support people into employment.	Head of Policy & Reform/ Economy & Regeneration Manager	March 2022
THC 36.13 – The Community Planning Partnership (CPP) is reviewing partner impact on reducing inequality and acting preventatively.	Director of Care & Learning/ Director of Finance/ Head of Policy & Reform	March 2018
THC 36.14 - The Council's welfare reform group and health inequalities group of the CPP have agreed an approach to understanding the experience of those affected by poverty by carrying out local research supported by the UHI Centre for Remote and Rural Studies. This will inform how to adapt and join up services to support people better.	Head of Policy & Reform/ Head of Improvement NHSH	December 2016
Update:		
New action THC 36.14 has been added.		

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Financial & Technological	D3	C3		
Risk No. & Details					
THC 38 - If the ICT re-provision does not meet the requirements of the Council or its Services, or if the budget available makes these unaffordable then the Council will not achieve the expected benefits from the new contract arrangements.					
Action Information:					
Action No. & Details		Responsible Officer	Target Date		
THC 38.1 - The Council has established a re-provision programme, with a multi-functional fully resourced team which will manage the work and is on target to conclude by March 2016 (now October). The Council has established a clear governance structure for decision making including the establishment of an ICT Members Executive Board with key decisions being taken by Resources Committee. The project plan and project deliverables are monitored by an ICT Re-provision Board, comprised of Council Directors and Chaired by the Chief Executive.		Head of Digital Transformation	October 2016		

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Director of Community Services	Physical & Technological	E3	C3		
Risk No. & Details					
THC 39 - If our planning and training for disaster recovery and business continuity is insufficient then there is a risk that we do not recover as an organisation or mitigate the risks to service delivery.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 39.2 - A General BCP for the Council has been prepared and was approved by the Resources Committee on 25/11/15.			Emergency Planning and Business Continuity Manager	December 2015	
Update:					
<p>Action THC 39.1 - has been completed as all Service Business Continuity Plans have been produced and approved by the relevant Committee.</p> <p>Action THC 39.2 – was completed in November 2015. Training on the plan is required and this will be undertaken once Service restructuring has been undertaken and the necessary staff are in place. This is now part of business as usual.</p>					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Legislative/ Regulatory & Customer/ Citizen	D3	C3		
Risk No. & Details					
THC 41 - If communities do not develop the capacity to participate in services and become more resilient and/or the Council is unable to match their expectations, then the objectives of the Council's Programme and its budget assumptions will not be met.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 41.1 – The Council needs to clarify its thinking and develop a strategy for dealing with the needs and expectations of communities.			Chief Executive	June 2016	

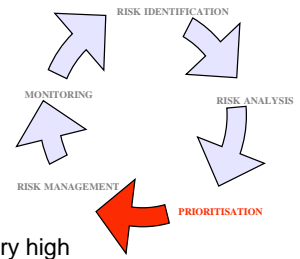
Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Depute Chief Executive & Director of Corporate Development	Financial	D3	C3		
Risk No. & Details					
THC 43 – If the transition to SWAN is delayed beyond September 2016 then this may result in additional costs to the Council and a risk that savings will not be achieved in 2016/17.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 43.1 - continue to manage the transition with Capita to ensure that any delay is kept to a minimum, mitigating increased costs and loss of savings.			Head of Digital Transformation	March 2017	
Update					
This was previously a below the line risk which stated: "If key partners withdraw from the shared service in 2020, then a greater share of the overhead costs will fall upon the Pathfinder North Partners which includes Highland Council". This risk has now changed as detailed above, but is still financial in nature.					

Risk Information:					
Risk Owner:	Risk Type:	Risk Rating:		RAG:	G
		Current	Target		
Chief Executive	Financial	D3	C3		
Risk No. & Details					
THC 46 – If the agreed budget savings of £40 Million are not delivered then this may impact upon the Council’s ability to achieve a balanced budget for 206/17.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 46.1 – the Resources Committee will receive regular reports on savings achieved and projected. In the event that there is slippage alternative savings will be proposed. The Council’s Executive Leadership Team will manage and monitor the delivery of the programme.			Chief Executive	March 2017	

Risk No. & Details					
THC 47 – The significant reduction in the workforce arising from the Voluntary Redundancy Scheme will reduce the capacity available to deliver services and progress Council priorities.					
Action Information:					
Action No. & Details			Responsible Officer	Target Date	
THC 47.1 - this is linked with risk THC 44 on the re-design of the Council where approval for the approach to be followed will be sought from the Highland Council meeting on 24/03/16. It is intended that the outcome from this work will be provided to Council as an interim report in December 2016 with the final report being considered in June 2017.			Chief Executive	June 2017	

Risk Profile:

Highland Council – Corporate Risk profile – March 2016



Likelihood ↑	F				
	E	THC 42	THC 17, THC 35, THC 39,		
	D	THC 26	THC 2, THC 6, THC 23, THC 36, THC 38, THC 41, THC 43, THC 46, THC 47		
	C		THC 12, THC 44, THC 45		
	B				
	A				
		1	2	3	4
		Impact →			

Likelihood:

- F Very high
- E High
- D Significant
- C Low
- B Very low
- A Almost impossible

Impact:

- 4 Catastrophic
- 3 Critical
- 2 Marginal
- 1 Negligible