

Governance, Risk and Best Value Committee

10.00am, Thursday 5 March 2015

Corporate Management Team (CMT) Risk Update

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

The attached risk information is the Corporate Management Team's (CMT) prioritised risks as at February 2015. It has been fully updated to reflect the current highest priority risks of the Council along with the key controls in place to mitigate these risks.

The attached risk summary has been challenged and discussed by the CMT and a plan has been developed for further review and scrutiny.

The risk register is a dynamic working document and will be updated regularly to reflect the changing risks of the Council.

The work to refresh the risk management process will be continued to further enhance the capture and treatment of risk in the Council through the quarterly CMT and SMT Risk Committees.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	

Corporate Management Team (CMT) Prioritised Inherent Risks (February 2015)

Recommendations

- 1.1 To review the attached prioritised risk information for the CMT and to invite relevant officers to discuss key risks as required.

Background

- 2.1 The Council's Governance, Risk and Best Value Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The purpose of this report is to provide a quarterly update to the Governance, Risk and Best Value Committee on the key corporate level risks facing the Council.
- 2.2 The CMT last presented its Corporate Risk Register to the GRBV in September 2014. An update of the CMT risk register was due to be presented in December 2014 however this was deferred to March 2015 to allow for the scoring stage of the CMT risk refresh to be completed.

Main report

- 3.1 The process to refresh the CMT risk profile is summarised in Appendix 1 of this report.
- 3.2 The attached CMT risk summary in Appendix 2 reflects the current priority inherent risks of the Council and demonstrates the compensating controls to mitigate the risks.
- 3.3 The risk register is a dynamic working document and will be updated regularly to reflect the changing risks of the council.

Measures of success

- 4.1 Fully embedded risk management practices should ensure that key risks of the Council are prioritised and relevant action plans are put in place to mitigate these risks to tolerable levels.

Financial impact

5.1 None.

Risk, policy, compliance and governance impact

6.1 Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council

Equalities impact

7.1 None.

Sustainability impact

8.1 There is no direct sustainability impact arising from the report's contents

Consultation and engagement

9.1 The attached risk summary has been challenged and discussed by the CMT and a plan has been developed for further review and scrutiny.

Background reading/external references

None

Alastair D Maclean

Director of Corporate Governance

Contact: Richard Bailes, Chief Risk Officer

E-mail: richard.bailes@edinburgh.gov.uk Tel: 0131 469 3144

Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	Appendix 1 – CMT Risk Refresh Process Appendix 2 – CMT Prioritised Inherent risks at February 2015

Appendix 1 - CMT Risk Refresh Process

The process to refresh the CMT risk register has been completed through a series of workshops with the CMT Risk Committee. We have redefined the key risks and prioritised them based on impact and likelihood using a web-based voting tool.

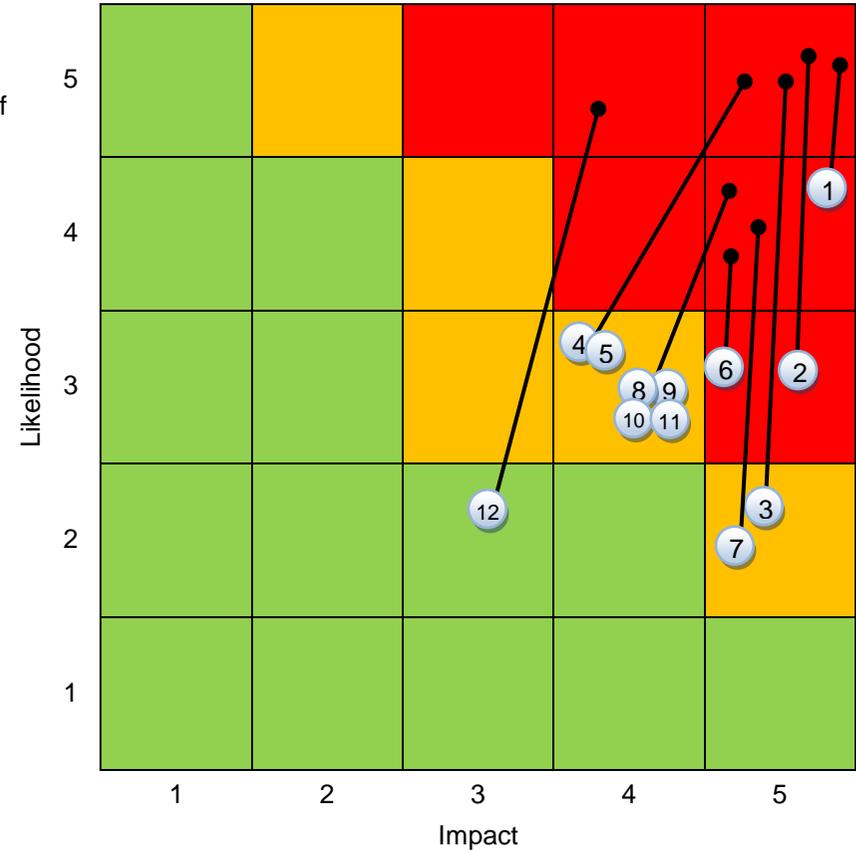
Specific key activities include:

- Inaugural meeting of the SMT and CMT Risk Committees;
- Aggregation and escalation of relevant risks from the SMT Risk Committees in October for consideration in the corporate risk register;
- Engagement with key stakeholders to assess and record the current and planned mitigating controls and actions in relation to each risk;
- Assessment of the corporate objectives affected by the risks, the consequences of the risks and the profile and proximity (immediate versus future) of the risks;
- Anonymous voting of the inherent risk score (excluding any mitigating controls) and the residual score (after accounting for the mitigating controls) through a web-based tool; and
- CMT Risk Committee workshop to discuss the prioritised risks based on scoring completed and to propose the assurance activity to support the mitigating activity.

The output from the CMT risk refresh process will be fed back to relevant Service Areas to ensure continuous improvement of the risk management system. This will be monitored and assessed through the quarterly Risk Committee structure.

Appendix 2 – CMT Prioritised Inherent Risks Heat Map

- 1. Maintenance of Capital Assets**
Risk that the Council's capital portfolio is not fit for purpose and/or fails to meet health and safety standards now and in the future.
- 2. Integrated Care Programme**
Risk over the affordability and delivery of the Adult Social Care, particularly in light of expected demographic changes, could impact the outcomes and care for the people of Edinburgh.
- 3. ICT Infrastructure**
Risk that the IT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council impacting the Council's ability to deliver services as expected.
- 4. Transformational Change Agenda**
Risk that the Council's transformational change agenda is not implemented effectively with support from Elected Members and Trade Unions resulting in the Council failing to meet service delivery outcomes impacting cost reductions and staff morale.
- 5. Savings Targets**
Risk that the Council does not generate sufficient savings to meet budgets in the short and longer term resulting in under delivery of key services.
- 6. Planning for Increased Demand**
Risk of a lack of strategic planning in relation to increasing demand for critical services, taking into account the growth in the City's population as well as changing demographics, leading to a shortfall in funding and a lower quality of service.
- 7. Contract Re-Procurement (ICT)**
Risk that the re-procurement of the ICT contract does not deliver the service propositions required to meet the needs of the organisation resulting in service disruption and remedial action incurring significant costs to the Council.
- 8. Workforce Planning**
The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.
- 9. Service Provider Degradation**
Risk of ICT disruption and outages for the remainder of the existing outsourced provider contract impacts 'business as usual' and the Council's ability to deliver all requirements as expected.
- 10. Delivering Council Commitments**
Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.



- 11. Health and Safety Management**
Risk that Health and Safety policy and culture are not clearly understood and embedded in a consistent manner within the organisation, leading to a lack of accountability and responsibility which could result in avoidable harm.
- 12. CMT Focus and Time**
Risk that the CMT is overly focussed on tactical issues and does not prioritise strategic issues resulting in uninformed decisions over the strategic direction of the Council.

CMT Prioritised Inherent Risks with Mitigating Actions

Category	Risk Description	Inherent		Current Mitigating Actions	Residual		Further Actions
		I	L		I	L	
1. Operational	<u>Maintenance of Capital Assets</u> Risk that the Council does not have sufficient resources to structure and maintain a capital portfolio that is fit for purpose and meets health and safety standards now and in the future.	5	5	<ul style="list-style-type: none"> Property Management (IPFM) report to CMT Condition surveys performed routinely Property Rationalisation work-stream 	5	4	<ul style="list-style-type: none"> Consistent response to condition surveys across portfolio Reassess the level of the budget for repairs Risk based framework to manage the whole capital portfolio Clarity in articulation of issues to all stakeholders
2. Strategic	<u>Integrated Care Programme</u> Risk over the affordability and delivery of the Adult Social Care, particularly in light of expected demographic changes, could impact the outcomes and care for the people of Edinburgh.	5	5	<ul style="list-style-type: none"> Integration Scheme Strategic Commissioning Plan Establishment of Shadow Board Establishment of Leadership Group 	5	3	<ul style="list-style-type: none"> Integration organisational arrangements across NHS and Social Care clarifying roles and responsibilities of all parties
3. Operational	<u>ICT Infrastructure</u> Risk that the IT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council impacting the Council's ability to deliver services as expected.	5	5	<ul style="list-style-type: none"> Consultation with staff to design correctly Output specifications clearly identified Engagement with staff, management & service providers Change controls built into new contract 	5	2	<ul style="list-style-type: none"> A single centre of excellence for ICT in the Council Business Continuity/ICT report on criticality of systems Pre-contract signing check of spec with stakeholders
4. Strategic	<u>Transformational Change Agenda</u> Risk that the Council's transformational change agenda is not implemented effectively with support from Elected Members and Trade Unions resulting in the Council failing to meet service delivery outcomes impacting cost reductions and staff morale.	5	5	<ul style="list-style-type: none"> Transformational governance with full time resource External assurance and skills utilised as required CMT monitoring & reporting on Council projects Governance of major projects/CPO status reports Council performance dashboards Ongoing consultations with Trade Unions 	4	3	<ul style="list-style-type: none"> Collective, consistent and strategic dialogue by CMT with Elected Members Encourage collegiate interactions between officers and elected members Provide resilient advice to Elected Members to support decision making process and risk exposure Maintain profile on Service Area SMT risk registers

Category	Risk Description	Inherent		Current Mitigating Actions	Residual		Further Actions
		I	L		I	L	
5. Financial	<u>Savings Targets</u> Risk that the Council does not generate sufficient savings to meet budgets in the short and longer term resulting in under delivery of key services.	5	5	<ul style="list-style-type: none"> Service Area budget proposals include a cost pressure contingency Savings MI reported monthly to CMT External assistance to help drive the benefits realisation programme 	4	3	<ul style="list-style-type: none"> Monthly budget monitoring and challenge meetings Prioritisation of service spend
6. Strategic	<u>Planning for Increased Demand</u> Risk of a lack of strategic planning in relation to increasing demand for critical services, taking into account the growth in the City's population as well as changing demographics, leading to a shortfall in funding and a lower quality of service.	5	4	<ul style="list-style-type: none"> Demographic funding built into long term financial plans Provision for demographics Strategic workforce planning Board reporting to CMT 	5	3	<ul style="list-style-type: none"> Continuing agenda item for CMT's consideration Improved MI to deliver stronger business case for support
7. Operational	<u>Contract Re-Procurement (ICT)</u> Risk that the re-procurement of the ICT contract does not deliver the service propositions required to meet the needs of the organisation resulting in service disruption and remedial action incurring significant costs to the Council.	5	4	<ul style="list-style-type: none"> Strict timeline/critical path to award of contract Contingency of 3 weeks built into timeline Competitive tender process External assistance to support process as required Project management framework Consultation with staff and stakeholders Gateway reviews 	5	2	<ul style="list-style-type: none"> No current further actions identified
8. Organisation and People	<u>Workforce Planning</u> The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.	5	4	<ul style="list-style-type: none"> The proposed Workforce Strategy will support the design of a flexible, motivated and high performing workforce with the right capabilities, capacity and culture Line by line funded establishment BOLD workforce work-stream 	4	3	<ul style="list-style-type: none"> No current further actions identified

Category	Risk Description	Inherent		Current Mitigating Actions	Residual		Further Actions
		I	L		I	L	
9. Operational	<u>Service Provider Degradation</u> Risk of ICT disruption and outages for the remainder of the existing outsourced provider contract impacts 'business as usual' and the Council's ability to deliver all requirements as expected.	5	4	<ul style="list-style-type: none"> Daily conference calls with provider to escalate issues Increased management of key systems in-house Additional support from other 3rd parties as required 	4	3	<ul style="list-style-type: none"> Monthly ICT update of ICT providers performance to CMT
10. Service Delivery	<u>Delivering Council Commitments</u> Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.	5	4	<ul style="list-style-type: none"> Service Areas' clearly defined Service delivery plans SMT KPI's to assess progress against objectives Prioritisation of resources through strategic workforce planning initiatives 	4	3	<ul style="list-style-type: none"> Internal Audit reviews annually to track performance against stated service plans
11. Hazard	<u>Health and Safety Management</u> Risk that Health and Safety policy and culture are not clearly understood and embedded in a consistent manner within the organisation, leading to a lack of accountability and responsibility which could result in avoidable harm.	5	4	<ul style="list-style-type: none"> H&S assurance reviews New management structure for H&S Service Area H&S reporting and oversight at CMT Effective engagement with staff and Trade Unions Risk and Assurance quarterly reporting to CMT Analysis and reporting of accident investigations and lessons learnt 	4	3	<ul style="list-style-type: none"> Implement new H&S governance structure Communication to improve H&S culture H&S standing agenda at Partnership at Work meetings H&S conference to take place in 2015 for senior managers Further development of H&S metrics/KPI's Review H&S assurance approach Programme to enhance the H&S governance framework
12. Strategic	<u>CMT Focus and Time</u> Risk that the CMT is overly focussed on tactical issues and does not prioritise strategic issues resulting in uninformed decisions over the strategic direction of the Council.	4	5	<ul style="list-style-type: none"> Engagement with Elected Members Allocation of CMT time for strategic priorities Risk Management system to mitigate risk in advance Enhanced frameworks implemented where appropriate to assess management effectiveness (e.g. financial management controls within schools) 	3	2	<ul style="list-style-type: none"> Enhanced engagement with Elected Members Clarification of the roles of the officers/elected members Updated CMT Strategic Plan Further development of the 3 lines of defence

Guidance for Assessing Impact and Likelihood of Risk

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of Occurrence	Hard to imagine, only in exceptional circumstances	Not expected to occur, unlikely to happen	May happen, reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 10 years	Between 5-10 years	Likely between 3-5 years	Likely between 1-3 years	Likely within 1 year

Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
Effect on outcomes	Minimal effect	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve obligations	Unable to fulfil obligations
Financial effect	Corporate: up to £250k Services: up to £100k	Corporate: £250k - £750k Services: £100k - £300k	Corporate: £750k - £5m Services: £300k - £1m	Corporate: £5m - £20m Services: £1m - £5m	Corporate: £20m + Services: £5m +
Reputational damage	None	Minor	Moderate loss of confidence and embarrassment	Major loss of confidence and adverse publicity	Severe loss of confidence and public outcry

Likelihood	5 – Almost Certain	Low	Medium	High	High	High
	4 – Likely	Low	Low	Medium	High	High
	3 – Possible	Low	Low	Medium	Medium	High
	2 – Unlikely	Low	Low	Low	Low	Medium
	1 – Rare	Low	Low	Low	Low	Low
		1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
		Impact				