

# Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

## Corporate Leadership Team Risk Update

Item number	7.5
Report number	
Executive/routine	
Wards	

### Executive summary

---

The risk information attached is the Corporate Leadership Team's (CLT) prioritised risks as at November 2016. It reflects the current highest priority risks of the Council along with the key controls in place to mitigate these risks.

The risks and controls have been challenged and discussed by the CLT and mitigation plans have been developed for further review and scrutiny.

The risk register is a dynamic working document and has recently been updated as part of the annual procedure to refresh and reflect the changing risks of the Council.

The Council's Risk Management Policy has recently been reviewed in accordance with the Council's policy framework to ensure that it is current, relevant and fit for purpose.

The risk management process continues to enhance the capture and treatment of risk in the Council through the quarterly CLT and Senior Management Team Risk Committees.

### Links

---

Coalition pledges	<a href="#">P30</a>
Council outcomes	<a href="#">CO25</a>
Single Outcome Agreement	

## Corporate Leadership Team Risk Update

### 1. Recommendations

---

- 1.1 To review the attached prioritised risk information for the CLT and to invite relevant officers to discuss key risks as required.
- 1.2 To note that the Risk Management Policy has been reviewed by the Chief Risk Officer in accordance with the Council's policy framework and other than a few minor changes to update current team names is considered current, relevant and fit for purpose.

### 2. Background

---

- 2.1 The Council's Governance, Risk and Best Value (GRVB) 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 GRBV Committee on the key corporate level risks facing the Council.
- 2.2 The CLT last presented its Corporate Risk Register to the GRBV Committee in September 2016.

### 3. Main report

---

- 3.1 The risk summary attached in Appendix 1 reflects the current priority inherent risks of the Council and demonstrates the controls to mitigate the risks.
- 3.2 During the past quarter the CLT have reviewed and refreshed the risk profile and prioritisation of risk in line with the Council's Risk Management Policy. This exercise involved one-to-one interviews with each member of the CLT Risk Team as well as a workshop to discuss and formalise our findings. In addition to identification of current risks facing the organisation, risk owners identified the key mitigating activities in place as well as committed future mitigating activities, where relevant. Note that findings from the routine risk review within the Service Areas were reviewed during the CLT risk refresh.
- 3.3 It is worth noting that six of the Top Ten risks in the revised register also appeared consistently in the previous version of the Top Ten risks. Themes include primary risks in relation to:
  - 3.3.1 Capital asset management;

- 3.3.2 ICT transformation delivery;
  - 3.3.3 Delivery of increased service base with reducing resources;
  - 3.3.4 Effective budgeting and delivery of cost efficiency targets;
  - 3.3.5 Cyber and data privacy; and
  - 3.3.6 Effective delivery of integrated care.
- 3.4 Other key items in the period include:
- 3.4.1 Risk management of major projects. A new Major Projects Team is being set up in response to the challenges around our capacity to deliver key programmes and projects commercially and successfully. A paper has been taken to CLT proposing options around governance, enhanced clarity over roles and inter dependency of risk management, assurance, commercial excellence and contract management. The risk management team will be involved at the initiation of each major project and a risk review will be presented by the Major Projects Team quarterly in line with the routine risk management process.
  - 3.4.2 There is now an improved governance framework around ERP implementation which will involve escalation of regular updates to the Risk Committee. It is critical that the Council keeps a watching eye on progress and the risks around implementation and expectations.
  - 3.4.3 The Risk Committee discussed the issue of the formation of a new Council Administration during 2017 and how that could lead to significant loss of knowledge through departing Members and how it may also lead to a requirement for new governance and partnership arrangements. The Acting Head of Strategy and Insight reassured the CLT that plans are in place to manage the transition and to ensure that Councillors are adequately informed and supported. This was not considered to be a key residual risk at this time but has been escalated to the CLT Risk Register to keep a concerted focus on it.
- 3.5 The CLT agreed that at the next Risk Committee they would ask each Head of Service to present their key risk exposures and explain the key actions being taken to mitigate them.
- 3.6 Each risk reported in Appendix 1 has been assigned an indicator to show whether the risk is escalating or decreasing in profile as a result of activity in the quarter.
- 3.7 The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Council. The CLT Risk Register has recently undergone a refresh involving all members of the CLT.

#### **4. 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.

#### **5. Financial impact**

---

- 5.1 None.

#### **6. 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.

#### **7. Equalities impact**

---

- 7.1 None.

#### **8. Sustainability impact**

---

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

#### **9. Consultation and engagement**

---

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

#### **10. Background reading/external references**

---

- 10.1 None.

### **Hugh Dunn**

Acting Executive Director of Resources

Contact: Richard Bailes, Chief Risk Officer

E-mail: [richard.bailes@edinburgh.gov.uk](mailto:richard.bailes@edinburgh.gov.uk) Tel: 0131 469 3144

## Links

---

<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 Resources prioritised inherent risks November 2016

# Appendix 1 CLT prioritised Inherent risks November 2016

## 1. Capital asset management

With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (eg improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.



## 2. ICT transformation and change program

Key deliverables, benefits & timescales for achieving IT transformation may not be achieved in line with business expectations, requirements & contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.



## 3. Business continuity

A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time.



## 4. Increased service with less resource

Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.



## 5. Budget management

Material overspends on service budgets may impact upon the funding of other services



## 6. Cyber security and data privacy

A significant cyber breach occurs resulting in sizeable loss of data integrity, confidentiality or availability with adverse reputational impact.



## 7. Customer expectations

Customer dissatisfaction around delivery of customer facing services (eg waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.

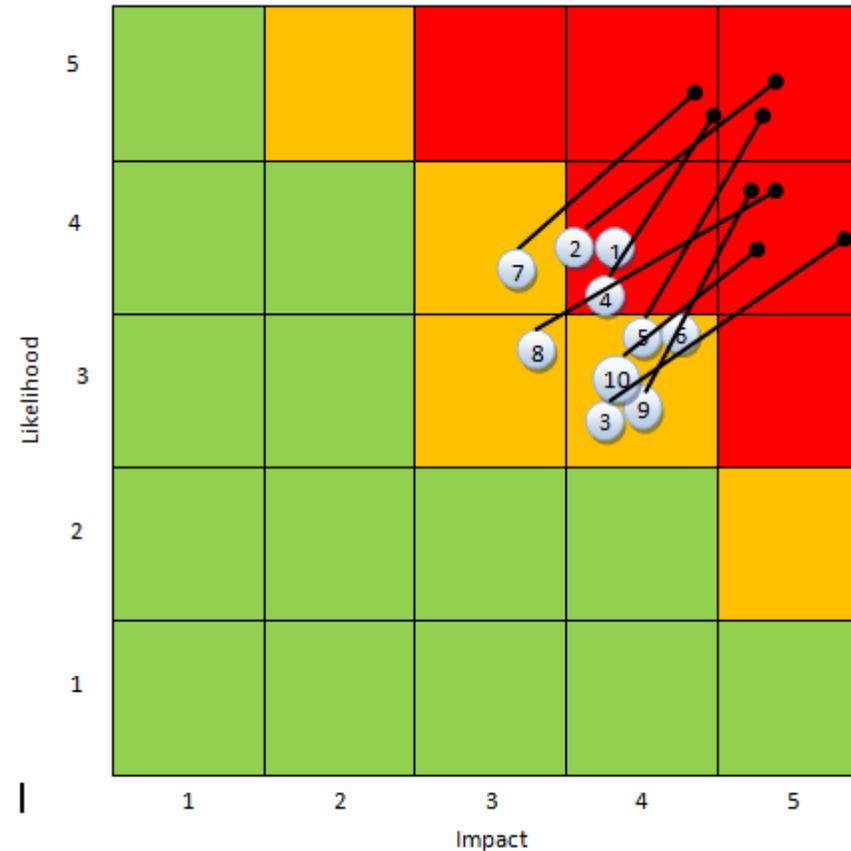


## 8. Health and Social Care procurement

Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments and to delivery of the H&SC partnership's strategic plan.



Inherent risk ● Residual risk ①



## 9. Health and Safety

Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.



## 10. ICT service delivery

The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery, the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.



# CLT prioritised inherent risks with mitigating actions

Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
		I	L		I	L	
1	Financial <b>Capital asset management</b> With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (eg improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.	4	4	<ul style="list-style-type: none"> <li>Property Management (IPFM) report to CLT</li> <li>Condition surveys performed routinely</li> <li>Property Rationalisation work-stream</li> <li>Asset registers in place with prioritised budget spend on those deemed of greatest risk to public safety.</li> <li>General Inspections carried out annually as part of asset management programme</li> </ul>	3	4	<ul style="list-style-type: none"> <li>Ensure asset management strategy clear, prioritised, affordable and deliverable</li> <li>Review to ascertain extent of any gaps in recording and inspection of fixed assets</li> <li>Produce North Bridge Improvement Plan</li> <li>Procurement underway for contract to inspect all boundary walls. Complete by December 2018.</li> </ul>
2	Operational <b>ICT transformation and change program</b> Key deliverables, benefits & timescales for achieving IT transformation may not be achieved in line with business expectations, requirements & contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.	4	4	<ul style="list-style-type: none"> <li>Improved project governance, risk and compliance arrangements between CGI and CEC</li> <li>New plans for the key projects in terms of scoping and resources</li> </ul>	3	3	<ul style="list-style-type: none"> <li>Extend focus of improvements to lower profile projects and commitments in the change program</li> </ul>
3	Operational <b>Business continuity</b> A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time.	5	4	<ul style="list-style-type: none"> <li>Formal Business Continuity Plan in place</li> <li>ICT Disaster Recovery arrangements</li> <li>BCP and ITDR stress tested annually</li> </ul>	3	3	
4	Financial <b>Increased service with less resource</b> Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.	4	4	<ul style="list-style-type: none"> <li>Provision for demographics built into long term financial plans</li> <li>Assumptions reviewed regularly and reported to F&amp;R with mitigating actions</li> <li>Regular review of funding gap with Members Core Group</li> <li>Service Areas update assumptions half yearly</li> </ul>	3	3	

Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions		
		I	L		I	L			
5	Financial	<b>Budget management</b> Material overspends on service budgets may impact upon the funding of other services		<ul style="list-style-type: none"> <li>• Monthly budget monitoring includes KPIs reported regularly</li> <li>• Quarterly reporting to Members Core Group</li> <li>• Regular reporting by Directors of budget pressures</li> <li>• Savings and implementation plans monitored</li> </ul>	4	4	3	3	
6	Operational	<b>Cyber security and data privacy</b> A significant cyber breach may occur resulting in sizeable loss of data integrity, confidentiality or availability with adverse reputational impact.		<ul style="list-style-type: none"> <li>• Refreshed Information security policy introduced</li> <li>• Laptop and media encryption</li> <li>• Service automation controls in place</li> <li>• New IT Security managed Service procured with requirements to adopt CESG and ISO best practice approaches and improve the security defences, monitoring and awareness of the security threat landscape.</li> <li>• Leavers process includes removal of access to IT applications</li> </ul>	4	4	3	3	<ul style="list-style-type: none"> <li>• Assess impact of delays in delivery of IT systems</li> <li>• Ensure effective embedding of new information security policy</li> <li>• Rolling Internal Audit of detection systems</li> </ul>
7	Operational	<b>Customer expectations</b> Customer dissatisfaction around delivery of customer facing services (eg waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.		<ul style="list-style-type: none"> <li>• Waste improvement plan</li> <li>• New Roads Manager now in place</li> </ul>	4	4	3	3	<ul style="list-style-type: none"> <li>• Roads Service Improvement Plan to be finalised March 2017</li> </ul>
8	Strategic	<b>Health and Social Care procurement</b> Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments, for example, to enable efficient discharge from hospital and consequently risk not fulfilling our duty of care to customers and to delivery of the H&SC partnership's strategic plan		<ul style="list-style-type: none"> <li>• New structure for procurement designed to ensure appropriate skills</li> <li>• Access to external experts for capacity and capability and knowledge sharing</li> <li>• Partnership working with Service Areas and IJB (IJB Procurement Board)</li> <li>• Contract register includes end of contract action plans</li> <li>• Exceptional items escalated to CLT quarterly</li> <li>• The Chief Officer is a member of CEC CLT</li> </ul>	4	4	3	3	<ul style="list-style-type: none"> <li>• Rationalise number of contracts</li> <li>• Consider co-production with voluntary sector</li> <li>• Design MI reporting to include RAG status on progression of contracts and exceptions</li> </ul>

Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions		
		I	L		I	L			
9	Hazard	<b>Health and Safety</b> Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.		4	4	<ul style="list-style-type: none"> <li>Progress on Corporate H&amp;S Strategic Plan is reported annually to CLT and Finance and Resources Committee</li> <li>H&amp;S performance measured and reported to CLT Risk Committee quarterly</li> <li>Oversight of assurance programme to CLT Risk Committee quarterly</li> <li>H&amp;S risks and issues are reported to CLT each week. H&amp;S is a standing agenda item</li> <li>Corporate H&amp;S Training programme – available across all levels</li> </ul>	3	3	
10	Operational	<b>ICT service delivery</b> The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery, the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.		4	4	<ul style="list-style-type: none"> <li>Contract defines standards to be attained.</li> <li>Close management by ICT Service staff to review issues and trigger appropriate service management reporting and subsequent improvement plans</li> </ul>	3	3	<ul style="list-style-type: none"> <li>Root-cause-analysis and full remediation plan still to be received from provider after data centre migration</li> </ul>

## 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

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