Item: 14

Policy and Resources Committee: 27 November 2018.

Corporate Risk Register.

Report by Executive Director of Corporate Services.

1. Purpose of Report

To consider the updated Corporate Risk Register as at October 2018.

2. Recommendations

It is recommended:

2.1.

That the updated Corporate Risk Register, as at October 2018, attached as Appendix 1 to this report, be approved.

3. Risk Management

3.1.

The Council understands that it is important to recognise and manage the many risks which are inherent in its activities, and in the services which it provides for the benefit of the community. The Council therefore adopted a policy on Risk Management, has established a Risk Management Strategy and has implemented procedures in support of the policy and strategy, which include the production and regular review of risk registers. This activity is recognised as a key component of sound corporate governance.

3.2.

The Council will promote its risk management policy objectives by systematically identifying, evaluation, and thereafter seeking to control and monitor risks which would potentially endanger, or which could have a detrimental effect on the services provided by Orkney Islands Council, or to residents of Orkney.

3.3.

The Council wishes to acknowledge that risk can never be eliminated in its entirety. The Council also wishes to recognise that managing risk can also identify positive opportunities which, with the appropriate level of control, may lead to service improvements. Therefore, the measures which the Council adopts are the principles of good management practice which seek to control and balance risk and opportunity. Specifically, in the area of risk management, the Council seeks to:

- Meet at all times its statutory obligations and to act within the law.
- Safeguard the public at large, the Council's members, employees, pupils, tenants and all persons to whom the Council has a duty of care.
- Protect its property, including buildings, equipment, vehicles and other assets and resources.
- Preserve and enhance service delivery.
- Maintain effective control of public funds.
- Maintain and enhance the Council's reputation.
- Safeguard and enhance the quality of Orkney's environment.

3.4.

Appropriate risk management arrangements including the following documents, which must be maintained and updated on an ongoing/continuous basis and reviewed formally every 6 months:

- A risk register.
- As appropriate, an action plan to address the issues raised in the above document. Action plans are optional for amber risks and compulsory for red risks.

3.5.

The risks on each register are categorised into strategic or operational risks and then sub-divided into appropriate risk cluster headings, for example financial, staffing, economic, political, partnerships, governance and communication.

3.6.

Any new risks which arise throughout the year are added to the relevant risk register when required.

4. Updated Corporate Risk Register

4.1.

The Corporate Risk Register, attached as Appendix 1 to this report, was last reviewed by the Senior Management Team on 15 May 2018 at which it was decided there were no changes required regarding the risks and the scoring / wording. The reviewed register was considered by the Policy and Resources Committee on 19 June 2018 and subsequently approved by Council.

4.2.

The Corporate Risk Register was due for full review by the Senior Management Team again in October 2018 and Appendix 1 contains the results of this review.

4.3.

There are 15 risks recorded on the register, two more than for the previous period. The risks added this period concern the implications of Brexit following a no deal outcome, and safety issues in burial grounds.

5. Corporate Governance

This report relates to governance and procedural issues and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications arising directly from this report.

7. Legal Aspects

Effective risk management helps the Council to meet its statutory obligations and discharge its legal duties of care.

8. Contact Officers

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9. Appendix

Appendix 1: Corporate Risk Register – October 2018.

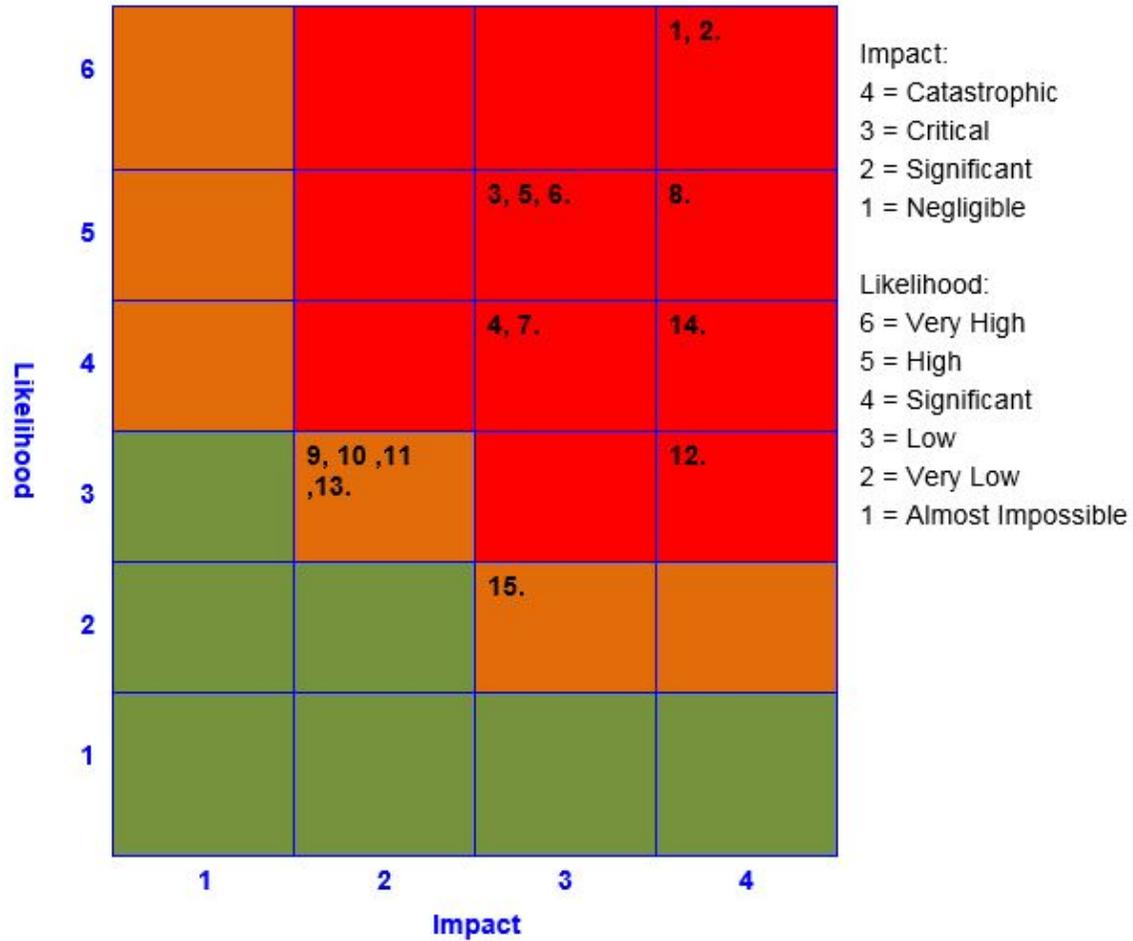# Corporate Risk Register – October 2018

Strategic Risks

Cluster.	Risk Number.	Owner.
Financial.	1, 8.	Executive Director of Development and Infrastructure.
Financial.	2.	Chief Finance Officer.
Financial.	5.	Executive Director of Corporate Services.
Staffing.	4.	Executive Director of Corporate Services.
Economic Recovery and Sustainability.	6.	Executive Director of Development and Infrastructure.
Political.	14.	Chief Executive.
Partnerships.	10.	Chief Executive.
Partnerships.	9.	Executive Director of Corporate Services.
Governance.	13.	Chief Executive and Head of IT and Facilities.
Communication.	3.	Chief Executive.

Operational Risks

Cluster.	Risk Number.	Owner.
Financial.		
Staffing.		
Economic Recovery and Sustainability.	12.	Executive Director of Development and Infrastructure.
Political.		
Partnerships.		
Governance.	7, 11.	Executive Director of Corporate Services.
Governance.	15.	Executive Director of Development and Infrastructure.

Cluster.	Risk Number.	Owner.
Communication.		

Risk Matrix

Impact:
4 = Catastrophic
3 = Critical
2 = Significant
1 = Negligible

Likelihood:
6 = Very High
5 = High
4 = Significant
3 = Low
2 = Very Low
1 = Almost Impossible

Risk Title: 01 – Failure to secure agreement with Scottish Government on appropriate funding arrangements to deliver the Scottish Ferries Plan in relation to ferry and terminal replacement for Orkney could lead to a loss of service and running of ferry services

Likelihood.	6.	Impact.	4.	RAG.	Red.	Current Risk Score.	24.	Target Risk Score.	6.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Ferry and Terminal replacement programme currently unfunded with ageing infrastructure. Annual revenue costs are unaffordable.	Ferries reach end of service life with no solution in place. High repair costs indicate that buying new would be more cost effective. Deterioration of piers infrastructure. Reductions in lifeline provisions for the community are below Scottish Ferries Plan standards. Services become unaffordable.	Ferries reach end of life with no replacement – rapid service deterioration. Excessive support costs as aged ferries kept running. Reduced capacity and flexibility to maintain scheduled services. Excessive running costs of old ferries. No opportunities to achieve expected service levels. Risk of delay in procurement leading to reduced capability to purchase fit for purpose new tonnage. Buying piecemeal also reduces economy of scale; community unrest due to people depopulating the isles due to lack of lifeline transport connectivity.	Ongoing dialogue with the Scottish / Westminster Governments emphasising the difficulties of a small authority providing the range of public services within reduced budgets across a wide and diverse geographical area. Continue to seek additional specific funding sources to protect lifeline services in Orkney, and its outlying communities, is not significantly disaffected, i.e. Transport Grant for replacement ferries.

Risk Title: 02 – Finance – Council services – inability to maintain services and meet changing demands

Likelihood.	6.	Impact.	4.	RAG.	Red.	Current Risk Score.	24.	Target Risk Score.	12.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Public services are sustaining a period of	Expectations outstrip capacity to deliver.	Community unrest.	Ownership of the Budget Setting Process by the Senior Management Team / Corporate

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
reduced funding and there is a significant concern that resources will be insufficient to meet future need.	Community expectations are not reduced due to a failure to communicate and engage effectively with communities. Failure to demonstrate the value of the council's ongoing services to the public The Scottish Government fails to provide sufficient funding for essential services.	Unhappy service users. Elected members unable to meet need. Loss of credibility of council. Inability to deliver the range of services expected and legal challenge.	Management Team with openness and transparency around the identification of potential areas for re-provisioning of services. The delivery of budget savings will be monitored within Services and reported to the Policy and Resources Committee. There has to be an acknowledgement of reality with the main focus on continuation of the delivery of minimum Statutory Provision versus Statutory with Discretion, Non Statutory but Essential or Discretionary Expenditure whilst having regard to the Council Priorities.

Risk Title: 03 – Adverse reaction to communications with staff, the public and stakeholders including social media

Likelihood.	5.	Impact.	3.	RAG.	Red.	Current Risk Score.	15.	Target Risk Score.	12.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
The Council's resources made available by Government will continue to reduce or remain static over the next few years despite growing need and demand. The Council must ensure that communities continue to be appropriately engaged about efficiency measures and inevitable	Customers have unrealistic expectations of what Council services can deliver. Customers do not understand the reasons for the changes and blame the Council. Good ideas are not harvested from effective community consultation.	Reputational risk. Misplaced criticism. Good ideas lost. Confusion about what the Council's priorities are. More difficult to align resources to priorities. Lack of understanding of what the Council wants to achieve. Changes are not achieved. Staff morale is adversely affected.	Robust communication and engagement strategies and plans are in place to publicise the Council's objectives and priorities, existing services and service change to ensure communities are engaged. Proactive press releases prepared to promote positive stories about the services provided by the Council The use of social media, and associated Policies, have been updated in the development of the new strategy.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
service changes, and proactively informed so that customer expectations are realistic. There is the potential that staff do not feel engaged in change processes or valued as active contributors to corporate change, service realignments or developments. The Council fails to manage how we respond to social media and to take advantage of the potential benefits of social media.	Failure to demonstrate the value of the Council's on-going services to the public. Council is unable to demonstrate the ability to work corporately. Staff are not given the opportunity to contribute to corporate development; staff become disengaged in essential change processes. The Council does not maintain an effective presence in social media as a communication tool.	Customers may not get a joined up service. Inter-service tensions undermine corporate achievements. Legal implications. Exclusion of sectors of the community.	

Risk Title: 04 - Workforce planning – lack of skills, experience and capacity

Likelihood.	4.	Impact.	3.	RAG.	Red.	Current Risk Score.	12.	Target Risk Score.	6.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Insufficient workforce planning actions underway to shape future workforce through redeployment and training etc. Capacity issues make it difficult for the service to realise its priorities.	Council staff become overstretched. Council staff become demoralised. The Council does not have the right staff, in the right place, at the right time, to deliver set priorities and / or statutory functions.	Council cannot manage within its resources. Existing workforce becomes overstretched. Key pieces of work are not able to be undertaken. Service standards drop and vulnerable people are placed at risk.	Service workforce plans in place. Corporate workforce plan in place. Reports identified to indicate possible natural wastage trends and retraining requirements. Management to consider these in relation to potential staff reductions and re-organisation.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
	The Council is unable to meet its statutory obligations. Statutory officers are unable to discharge their statutory functions adequately.	Council is reactive rather than proactive. An increased risk in legal challenges and complaints. Risk of financial penalties.	Acceptance by senior management in relation to re-deployment of staff including those in other services. Consideration of enhanced approach to redeployment and retraining. Careful consideration in the release of staff by voluntary means to ensure required skills are retained. Continued use of flexible working will encourage improved working methods and retention of key staff. Development of a revised HR strategy for the Council that is up to date and addresses key staffing challenges for Services in future. Identification of staff in HR to be trained and assigned to assist Services with workforce planning. Inclusion of staff in re-design of operations. Increased commitment to proactive communications particularly related to staff and trade unions. Regular monthly Trade Union meeting at Corporate level. Regular staff / Trade Union meetings at Service level, when required Change in emphasis of staff engagement to include the process of change.

Risk Title: 05 – Failure to ensure we obtain and retain maximum benefit from Council's assets

Likelihood.	5.	Impact.	3.	RAG.	Red.	Current Risk Score.	15.	Target Risk Score.	12.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
The Council may not have sufficient funds to sustain assets, replace ageing assets and develop key assets (also see risk 01 which is particularly significant). Essential buildings and infrastructure for travel, communications etc have to be maintained to ensure property and roads, IT, telecoms and other infrastructure continue to be able to support the Council's services.	The Council cannot maintain or develop its essential assets to provide public services. The Council cannot implement an asset management strategy. The public is unable to communicate with services. Professionals are unable to communicate with each other to provide effective services.	Roads and buildings deteriorate. IT infrastructure cannot support services. Unused / surplus buildings. Services are not delivered. Vulnerable people are at risk. Communication is not possible between agencies to co-ordinate services. Council's reputation is at risk.	Corporate Asset Management Plan is due for review in year 2018 to 2019. Existing Property Asset Management Plan is kept up to date and reviewed regularly Existing ICT Asset Management Plan is kept up to date and reviewed regularly. Existing Fleet and Plant Asset Management Plan is kept up to date and reviewed regularly. Service Asset Management Plans to be written on Open Spaces and Heritage, and Roads and Infrastructure Review of the budgets available for revenue repairs and capital improvements to be undertaken and seek to identify additional options for delivery of the maintenance programmes. Capital Planning and Asset Management Working Group holds monthly meetings.

Risk Title: 06 – Inability to sustain and enhance economic opportunities

Likelihood.	6.	Impact.	4.	RAG.	Red.	Current Risk Score.	24.	Target Risk Score.	12.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Commercial etc sectors are vulnerable to market forces and changing national and international economic circumstances, Orkney's population is also ageing, leading to a range of challenges and opportunities in managing the impact of this demographic shift in terms of service provision. Current uncertainties associated with the Brexit arrangements for our future workforce.	The Council fails to support a diverse economy. Decline in farming and other traditional industries. External market forces and economic factors lead to increasing pressure on local businesses. Cost of transportation threatens travel of goods and people to and from Orkney. The Council fails to support emerging industries. The Council fails to ensure community benefits arise from developing industries. The Council fails to secure long term benefits from Renewables sector. Increasing pressure on services for older people. Reducing work age population.	Local economy struggles pushing additional responsibilities onto the public sector. OIC budgets become increasingly pressed. Staffing shortages. Loss of external funding due Brexit outcome.	Review of the budgets available for revenue repairs and capital improvements to be undertaken. Seek to identify additional options for delivery of the maintenance programmes.

Risk Title: 07 – Inadequate information security and management, and inadequate cyber security – With the increase in the use of publicly visible technology, there is an increased risk of exposure to threats from criminal and other malicious parties

Likelihood.	4.	Impact.	3.	RAG.	Red.	Current Risk Score.	12.	Target Risk Score.	6.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
The Council fails to maintain an adequate audit trail of all information created. The Council does not handle, share and release all of its data adequately. The new General Data Protection Regulation will replace the Data Protection Act 1998 and will introduce new duties for the Council. Failure to implement and maintain suitable cyber controls to protect assets.	Inappropriate disclosure, sharing, retention or loss of data. Failure to comply with information governance legislation including the new General Data Protection Regulation.	Customer distress and harm. Financial and legal implications. Reputational risk. Inability to access information when required. Failure to share information leading to duplication of effort. Not responding to information requests on time. Complaints against the Council.	The Records Management Improvement Plan sets out further actions required to ensure that the Council maintains compliance with its legal responsibilities, including the General Data Protection Regulation which came into force in May 2018. Senior Management leadership in place with regards to the delivery of the Records Management Improvement Plan. The council met the Cyber Essential (Basic) accreditation as required by the Scottish Government in February 2018; the target for this was June 2018. IT Security is managed proactively and there is an ongoing programme of patching / updating the hardware and software in operation across the council.

Risk Title: 08 – Inadequate Access to superfast Broadband across Orkney and mobile connectivity

Likelihood.	5.	Impact.	4.	RAG.	Red.	Current Risk Score.	20.	Target Risk Score.	8.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Failure to lobby Governments to address the current digital divide and put in place infrastructure to ensure a step change in speeds. Failure to access mobile coverage. Failure to press the Government to deliver a longer term plan to ensure that there are the right mechanisms, partnerships and commercial models in place.	Orkney fails to secure maximum and equitable geographic coverage of superfast Broadband, wireless connectivity and significant improvements to Broadband services and mobile network across the islands. Orkney is unable to attract inward investment and sustain fragile communities. Educational infrastructure disadvantaged by lack of service.	Failure to attract inward investment. Failure to attract skilled employees. Digital isolation across age groups. Failure to realise opportunities in respect of Telehealth, Telecare, mobile working and tele-learning. Poor online public service access including welfare benefits, etc.	Continue to support political lobbing and seek opportunities to progress policy.

Risk Title: 09 – Co-ordination of Welfare Reform and Social Security changes

Likelihood.	3.	Impact.	2.	RAG.	Amber.	Current Risk Score.	6.	Target Risk Score.	6.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Service users financially disadvantaged due to lack of clarity regarding roll out of Universal Credit and other aspects of Welfare Reform and social security.	Risk of vulnerable people not receiving the benefits they are entitled to due to lack of understanding of changes in benefits payments.	Vulnerable people/families left without ability to meet basic needs. Resources inadequate to meet assessed need for payments.	Continue to plan through Social Security and Welfare Reform Working Group and operational group. Regular communication with tenants and continued offer of advice.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Lack of public clarity on which agency to approach for different benefits. Substantial expert knowledge vested in a small team.	Accumulated rent arrears. Administrative costs become unmanageable due to withdrawal of local services by national agency.	Budgets inadequate due to non-payment of rent etc. Reputational damage to Council. Potential increase in child poverty due to increase in benefit cap.	Continued liaison with Citizens Advice Bureau and other agencies. Monitoring of arrears.

Risk Title: 10 – Lack of sustainability of partnerships and clarity of responsibilities and outcomes

Likelihood.	3.	Impact.	2.	RAG.	Amber.	Current Risk Score.	6.	Target Risk Score.	6.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Working in partnership exposes the Council to some degree of reputational risk, depending on the stability of the arrangements and outcomes delivered. Resource constraints may affect the success of Health and Social Care partnership.	The Council does not implement a robust and effective framework for managing its key partnerships. Governance is not effective in relation to a partnership and objectives are not met. The resource pressures on the parent bodies affect the reputation of the partnership. The Outsourcing and Partnerships review does not deliver expected results.	Uncertainty about roles. Impact upon service delivery. Loss of reputation due to inability to meet statutory requirements. Tension between partners. Efficiencies not achieved. Relationships with other bodies deteriorate. Reduced ability to deliver on important projects for vulnerable people and their families.	The Council will continue to work closely with partners under current frameworks which are monitored closely to ensure they are robust, effective and deliver good governance. The Council will review existing partnerships and explore new ones under the Outsourcing and Partnerships project. Governance and risk will be key areas in this work to ensure objectives / outcomes are achieved and no unintended consequences arise.

Risk Title: 11 – Inadequate procurement compliance and sustainable communities

Likelihood.	3.	Impact.	2.	RAG.	Amber.	Current Risk Score.	6.	Target Risk Score.	6.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Financial and non-financial savings have not yet been fully explored. Further work to be done to support local businesses to help them participate in procurement opportunities, building on the Meet the Buyer event which was first held in August 2016.	Legal challenge is a possibility unless the Procurement Regulations are complied with and processes followed. Officers fail to understand the limitations that the Procurement Regulations place on the Council. Officers do not follow due process and tendering has to be repeated. Anticipated savings may not be fully realised through collaborative contracts. The local economy may not be as well supported as it could be. Member / officer disharmony due to lack of understanding of responsibilities.	Financial loss due to legal challenge. Reputational harm. Delays in services being procured due to re-tendering or court action. Loss to the local economy. Loss of effectiveness and efficiency. Lost opportunity in terms of savings.	Procurement Member Officer Working Group in place. Procurement Working Group (Officers) to be set up which will provide training, support and a corporate approach to Procurement exercises and priorities. Frequent communication with this group is already in place and training on the use of PCS Tender was completed by 19 staff in January 2018. Procurement Improvement Plan developed and kept under review. Sustainable Procurement Strategy approved by Members in February 2018. Meet the Buyer event for October 2018 was held successfully. Contracts Register is now updated at least monthly and the use of the Contracts Register is stressed to all staff who are making purchasing decisions. Proactive work with the Corporate Admin Group to look at the creation and use of local Framework Agreements.

Risk Title: 12 – Ageing infrastructure leading to deterioration and/or failure of Council operational assets and/or public infrastructure

Likelihood.	3.	Impact.	4.	RAG.	Red.	Current Risk Score.	12.	Target Risk Score.	6.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
With reducing budget capacity the Council may not have sufficient funds to sustain assets, replace ageing assets and develop key assets and infrastructure. For example, recent surveys identifying suspect increased deterioration in the road surface at Barrier 1 which could require substantial repair costs (a 40mph advisory speed limit has been implemented as an interim measure).	Failure of an asset due to wear, pressure on existing asset replacement (revenue and capital) budgets or the need for un-budgeted expenditure to urgently repair or replace assets.	Plant, equipment and infrastructure deteriorate. Services are not delivered. Lifeline routes compromised. Council's reputation at risk. Risk of accident and potential claim.	Review of the budgets available for revenue repairs and capital improvements to be undertaken and seek to identify additional options for delivery of the maintenance programmes.

Risk Title: 13 – Health and Safety non-conformance

Likelihood.	3.	Impact.	2.	RAG.	Amber.	Current Risk Score.	6.	Target Risk Score.	4.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Non-compliance with health and safety policies, rules and procedures by	Reportable accidents, work related ill health and dangerous occurrences.	Enforcement action from the Health and Safety Executive. This may	Frequency of Safety Committee meetings increased.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
employees, members of the public, contractors etc.		include Improvement and prohibition notices and prosecution. Material breaches, if identified, are subject to cost recovery by way of "fees for intervention". Civil action resulting in the payment of compensation for injury or damage etc.	Senior Management Team to promote a positive health and safety culture. Proactive health and safety to feature as a standing item in Senior Management Team and Corporate Management Team meetings. IOSH "Leading Safely" training has been refreshed for all Corporate Management Team and Senior Management Team members.

Risk Title: 14 - Brexit – Implications following a "hard" no deal outcome

Likelihood.	4.	Impact.	4.	RAG.	Red.	Current Risk Score.	16.	Target Risk Score.	12.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Loss of access to the single market, with associated implications around trade delays and reduction in supply. Loss of EU funding for projects and businesses in Orkney. Disruption to current workforce and future restrictions on ability to recruit.	Restrictions to the supply chain. Restrictions on the free movement of people and workers' rights within the EU area.	Insufficient supply of essential commodities (food, medical supplies, fuel). Negative impact on projects and businesses in Orkney should funding streams end and not be replaced. Difficulty in retaining staff and attracting new staff from the EU to work for the Council, possibly leading to Service delivery difficulties due to staff shortages, as well increased pressure on other staff.	The Council to "Island proof" any Scottish Government response. Member Officer Working Group to be convened as soon as final terms of the Brexit deal are known. Urgent discussions within the Community Planning Partnership once the terms of Brexit are known. Urgent escalation of high / severe risks to the Scottish Government. Working with CoSLA to develop and deliver key communications and guidance for existing staff from EU countries. Assessing impact on current staffing establishment.

Risk Title: 15 - Burial grounds – safety issues

Likelihood.	2.	Impact.	3.	RAG.	Amber.	Current Risk Score.	6.	Target Risk Score.	4.

Vulnerability.	Trigger.	Consequences.	Mitigating Actions.
Unstable headstones could topple over.	A recent fatal accident occurred in a Scottish mainland council burial ground. HSE have issued guidance to all Local Authorities to ensure adequate health and safety measures are in place for graveyards.	Injury to members of the public and maintenance workers etc. Civil action resulting in the payment of compensation for injury or damage etc. Enforcement action from the Health and Safety Executive.	Survey and repair programme underway and is likely to take two years to complete.