

<p><b>Non-Executive Report of the:</b></p> <p><b>Audit Committee</b></p> <p>8<sup>th</sup> November 2018</p>	
<p><b>Report of:</b> Zena Cooke – Corporate Director Resources</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Risk Management Update 2018/19 Quarter 2</b></p>	

<b>Originating Officer(s)</b>	Steve Tinkler
<b>Wards affected</b>	All wards

### Executive Summary

The purpose of this report and appendices is to provide the Audit Committee with:

- a) Details of how we identify and manage risks:-
- b) Summary of the Q2 2018/19 Corporate Risk Register and update since last reported in July 2018:-
- c) A half year update on the risk management activity in the Council.

The report enables the Audit Committee fulfil part of its functions as set out in the Committee's terms of reference item no.8 – to review the Risk Management arrangements of the authority.

### Recommendations:

The Audit Committee is recommended to:

1. Note the corporate risks and recommend changes and updates as necessary;
2. Request risk owner(s) with risks requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its next meeting.
3. Ensure that an effective risk management framework is in place within the Council and leading the council to be a risk mature, dynamic risk organisation.

## 1. REASONS FOR THE DECISIONS

Risk Management reports are brought annually and quarterly to provide the Committee with an oversight of the authority's processes to facilitate the identification and management of its significant business risks.

## 2. ALTERNATIVE OPTIONS

2.1 None.

## 3. DETAILS OF THE REPORT

What is Risk management	Risk management is an integral part of good corporate governance. There are many definitions of corporate governance but the one used by CIPFA is ".....the procedures associated with the decision making, performance and control of organisations, with providing structures to give overall direction to the organisation and to satisfy expectations of accountability to those outside it".
How we manage risks	All organisations face risks in everything that they do but by the proper management of its risks, organisations can benefit by reducing their significance; either by reducing the level of impact, or making the risk less likely to happen. Over the last few years, the use of risk management as a tool in the public sector has gained strength as the appreciation of how risk management can be used as a technique for delivering an efficient and effective service to all its stakeholders. This is demonstrated in guidance issued by CIPFA / SOLACE, "Delivering Good Governance in Local Government", which makes reference to the need for effective management of risks and suggest how authorities can use audit committees to support a framework for effective systems of internal control.
Risk management framework	The Council has developed a formal Risk Management framework and processes which are supported by the Risk Management and Audit team. This is part of the Council's corporate governance process and contributes to its compliance with Financial Regulations and Procedures as well as the Accounts and Audit Regulations 2015. It is also a key part of the Council's Annual Governance Statement which is approved by the Audit Committee in June each year.
Aims	To give members and senior officers an understanding of the key risks facing the Council and its community, and to show how these risks are being responded to;  Implement and maintain a fluid process for the

	<p>everyday management of risks relevant to our objective's, outcomes, services and assets;</p> <p>Improve the Council's risk management culture and transparent ownership of risks and issues; and</p> <p>Continue to meet the requirements of our external auditor and compliance providers.</p>
How are risk assessed	Assessment is made in terms of how likely a risk is to occur and what the consequences would be if they did.
Risk Classification	<p>Red (Severe) indicates that the risk is very significant and requires immediate and comprehensive management attention;</p> <p>Amber (Significant) indicates that the consequences of a risk materialising would be significant, but not disastrous. Some immediate action (but not as time critical) is required plus the development of a comprehensive action plan;</p> <p>Yellow (Material) indicates that the consequences of the risk are of concern although treating the risk will be through contingency planning;</p> <p>Green (Low) indicates the likelihood and impact of the risk relatively unimportant.</p>
How we Manage Key risks	The Council's risk management process is implemented across Directorates, Business Units and Projects. On a quarterly basis each Directorate reviews and updates the risks captured on their risk registers and add any new or emerging risks.
Process	<p>Each risk has been reviewed (and where appropriate risk descriptions revised) by the responsible risk owner. New risks and key changes to current risks are discussed and challenged at Directorate and Corporate Leadership Team meetings. Annually each Directorate is encouraged to undertake a full risk review in line with service and financial planning processes.</p> <p>Corporate risks are included within relevant Directorate and Divisional business plans and are also reported to Audit Committee. This reporting format ensures that the Council's risk management framework remains embedded and that reporting remains "live" across the organisation. Further information on risk reporting can be found in the Council's risk management strategy.</p>

Risk Champions group activities	The risk champions group at their monthly meetings examine and challenge risks on Corporate and Divisional risk registers. New and emerging risk is also considered. Current activities also include risk management training, risk management performance indicators and a review of impact and classification on risk matrix schedule.
Brexit considerations	The Audit and Risk team have been proactive in engaging all sections of the Council to give adequate consideration to the threats and opportunities faced by the Council from the decision to leave the European Union. We have conducted a number of risk workshops with various directorates and divisions within the council in which the impact of Brexit to business objectives have been considered and documented. We also held a risk talk in March 2018 on the impact of Brexit on the Council and local economy with an analysis of the impact on jobs and on migration as well as the strategy to secure the best possible mutual market access for financial services post Brexit. Further consideration was given to the impact of European Union laws on council services such as food regulations and procurement. The current position is to wait for further outcomes from the negotiations between central government and the European Union. The Council has launched a Brexit Commission to look at the likely impact of the UK's departure from the European Union. As part of the work, the Council is also looking at ways to engage with residents of Tower Hamlets who are citizens of European Union.
New and emerging risks	One of the many definitions of emerging risks, are risks that are known to some degree but are not likely to materialise or have an impact for several years. The impact and likelihood of emerging risks are typically very difficult to quantify as they can have far reaching impacts on industry and society overall.
CLT and DD IRM training	The Council is currently working with the Institute of Risk Management (IRM) to deliver training to the corporate leadership team (CLT) and divisional directors (DD's) in transforming the way in which the Council manages risk, using it as a positive enabler of performance and building external stakeholder trust in the Council's ability to manage risk and opportunity.
Half year update on the risk management position	At the 1 <sup>st</sup> October 2018 there are <b>439</b> identified active risks on the Council's risk register. They are <b>854</b> mitigating actions to treat the identified risks. By defining its risk appetite, an organisation can arrive at an appropriate balance between uncontrolled innovation and excessive caution. The Council's risk appetite methodology was developed last year. The risk appetite

matrix in table below displays our six risk appetite categories and includes a summary of the corporate risks within and outside of appetite for each category.

**Risk Appetite Matrix (based on actual not Target risk scores)**

Risk Category	Avoid Risk Score 1-4	Minimal Risk Score 5-9	Cautious Risk Score 10-12	Open Risk Score 15-16	Seek Risk Score 20-25
Finance					2 3 1
Compliance / Regulatory		12		7 8	
Contracts & Partnerships					
Safety & Safeguarding			10 11	6 5 4	
Reputation			9		
Innovation					

  

Risk Appetite Level	Risk Appetite Description
Avoid	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Minimal	Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefit.
Cautious	Preference for the safe options that have a moderate degree of risk and may only have limited potential benefits.
Open	Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit.
Seek	Eager to realise benefits and to choose options to achieve this despite the higher risk.

**4. DETAILS OF REPORT CONTINUED**

4.1 The Audit Committee requires the Head of Audit and Risk Management to provide a regular report on the effectiveness of the process deployed to identify, assess, prioritise and mitigate the key risks which could affect the overall achievement of service objectives.

**5. Corporate risk register - Revised and updated corporate risk register**

The current risk register contains a total of 10 risks, with four rated as red, four as amber and two as yellow. No new risks have been added to the Corporate risk registers in this quarter.

Risk Reference	Risk Description	Risk Appetite Category	Mitigation & comments
CSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency.	High Risk (Score 25) <b>Risk Appetite Threshold: 9</b>	The Council has responded to the adverse Ofsted inspection with a programme of improvements and

	<p>There was an Ofsted Inspection Jan-Feb 2017 which found CSC services to be overall inadequate. The report stated that children and young people are being left in situations of harm and the DFE have issued directions to the borough. A Department for Education improvement advisor will also be identified to work with the Council to support the necessary improvement.</p>	<p><b>Risk Response:</b> Treat Movement/Change in Risk Score: →</p> <p>Date of last movement: 25-Apr- 17</p> <p>Review date: 15/01/19</p>	<p>developments that are overseen by the Improvement Board.</p> <p>The improvements that have been evidenced through the monitoring visits demonstrate that the oversight of safeguarding practice is strengthened and monitored on a regular basis. This level of monitoring (which is checked by Ofsted via the Monitoring visits) has a clear focus on the safety of young people.</p> <p><b>Trend:</b> Severe risk since April 2017.</p>
CSDSC0014	<p>Failure to ensure findings and recommendations are implemented.</p> <p>The inspection process produced evidence to show that in the judgement areas of help and protection, in leadership and management and governance and in relation to the LSCB the restorative action that has been taken has been neither sufficiently effective nor timely.</p> <p>The Ofsted inspectors highlighted the need for some urgent and rapid improvement across children's social care.</p>	<p>High Risk (Score 25)</p> <p><b>Risk Appetite Threshold:</b> 9</p> <p><b>Risk Response:</b> Treat Movement/Change in Risk Score: →</p> <p>Date of last movement: 3-Apr- 17</p> <p>Review date: 15/01/19</p>	<p>The Council has responded to these adverse inspection judgements by the creation of a multi-agency Improvement Board who meet quarterly, and with a number of sub-groups reporting into the board. This Improvement Board oversees all aspects of service improvement and practice development. The Council has made steady progress with its improvement journey, with the</p>

			<p>four monitoring visits from Ofsted being positive, and the majority of comments confirming that practice is stronger and the Council has a clear and accurate understanding of what it needs to continue to do in order to get to “good” at the point of the re-inspection which is expected in the autumn of 2019.</p> <p><b>Trend:</b> Severe risk since April 2017.</p>
CSDSC0004	<p>Incidents of serious violence where young people known to or in the care (LAC) of the Local Authority are harmed or perpetrate harm in a community setting.</p>	<p>High Risk (Score 16)</p> <p><b>Risk Appetite Threshold:</b> 9</p> <p><b>Risk Response:</b> Treat</p> <p>Movement/Change in Risk Score: ↗</p> <p>Date of last movement: 17-Apr-18</p> <p>Review date: 17/10/18</p>	<p>Better co-ordination of intelligence through the appointment of a data analyst</p> <p>Refresh of Risk Management policy is complete. Development of co-ordinated strategic and delivery to recognise vulnerability across CSE, HSB, MAPPA, Gangs matrix and Youth Justice victim’s work. Further development of Restorative Justice work.</p> <p>A number of strategic groups exist that are</p>

			<p>hampered by a lack of data analyst that impairs the identification of patterns and impedes co-ordinated action. Funding has been awarded for this role by MOPAC. This plan has now been superseded by the decision to create an exploitation team across agencies. The analyst capacity will be located in that team.</p> <p><b>Trend:</b> Severe risk since April 2018.</p>
CSDSC0005	<p>Loss of resources as a result of a failure to reach target Payment by Results claims, resulting in loss of capacity to deliver the Troubled Families programme.</p>	<p>High Risk (Score 16)</p> <p><b>Risk Appetite Threshold:</b> 16</p> <p><b>Risk Response:</b> Treat Movement/Change in Risk Score: →</p> <p>Date of last movement: 15-Jun-18</p> <p>Review date: 30/11/18</p>	<p>Following the spot check in May, we now have put in place remedial actions so that there issues highlighted are no longer concerns. The service has now gone through all historical claims which are not eligible as a result of the spot check and these have now been withdrawn. An action plan has now been agreed with the ministry and they have now released 50% of attachment fees worth £311K. There has been a</p>

			<p>start in the alignment of the local SSF programme to the Early Help Hub in order to enable a dynamic interface between the data driven programme and direct delivery. This position continues to pose a significant financial risk for the council, but also offers an opportunity for integration.</p> <p><b>Trend:</b> Severe risk since Jun 2018.</p>
ASD0015	<p>Death or serious harm to a vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency.</p>	<p>Amber Risk (Score 15)</p> <p><b>Risk Appetite Threshold:</b> 9</p> <p><b>Risk Response:</b> Treat Movement/Change in Risk Score: →</p> <p>Date of last movement: 11-Aug-17</p> <p>Review date: 29/04/19</p>	<p>4 year (2015 – 2019) adults board strategy.</p> <p>The actions within the SAB strategy aim to mitigate the risks associated with safeguarding.</p> <p><b>Trend:</b> Amber risk since August 2018.</p>
PLC0013	<p>Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress</p>	<p>Amber Risk (Score 15)</p> <p><b>Risk Appetite Threshold:</b> 9</p> <p><b>Risk Response:</b> Treat Movement/Change</p>	<p><b>Council housing</b> – unsafe cladding now fully removed from Maltings and Brewster Houses; both blocks are subject to further risk assessment related to</p>

	<p>or scheduled remedial actions to improve fire safety.</p>	<p>in Risk Score: →</p> <p>Date of last movement: 27-Aug-17</p> <p>Review date: 8/12/18</p>	<p>structural issues (concrete panel system); full remediation being drawn up for consideration urgently.</p> <p><b>Registered Providers of Social Housing –</b> 12 blocks with unsafe ACM, 3 remediated to date, others in various stages of procurement following allocation of MHCLG grant funding via the GLA. 1 non- ACM block identified for permanent rehousing given fire safety concerns related to the internal structure.</p> <p><b>Private Sector Housing –</b> All blocks with unsafe ACM cladding now identified (57 in total); EHO's monitoring remediation plans for reporting to MHCLG. where no remediation plan in place (currently 9 blocks), EHO's carrying out hazard rating survey under Housing Act powers, to be followed up potentially by</p>
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			<p>enforcement action (improvement notice and/or works in default). MHCLG continue to press owners and developers to cover remediation costs rather than charge leaseholders. Ongoing risk of homelessness if costs are passed on and leaseholders default or forfeit their homes.</p> <p><b>Trend:</b> Amber risk since August 2017.</p>
RCPCD0022	<p>Failure to have in place a lease extension for Mulberry Place (or alternative temporary office location) one year prior to the end of the current lease (June 2019).</p>	<p>Amber Risk (Score 15)</p> <p><b>Risk Appetite Threshold:</b> 16</p> <p><b>Risk Response:</b> Treat</p> <p>Movement/Change in Risk Score: ▼</p> <p>Date of last movement: 18-Dec-17</p> <p>Review date: 01/12/18</p>	<p>Negotiations are still progressing with the landlord's agents through the consultants appointed by the Council. It is envisaged that agreed heads of terms will be in place by the end of November or early December which will then trigger the report to cabinet for authorisation to proceed early in 2019. The length of the lease extension is being matched to the delivery timescale for the new Town Hall project with a proposed rolling break option in the Council's favour</p>

			<p>from mid 2022 with the service of 6 months' notice. The Council has until the end of June 2019 to negotiate and implement a new lease / lease extension before any formal process under the Landlord and Tenant Act is required.</p> <p><b>Trend:</b> Amber risk since December 2017.</p>
ASD0017	<p>Risk that should a major incident take place affecting council services, there may be a failure to implement an effective response. The risk is increased if there was to be more than one incident at the same time.</p>	<p>Material Risk (Score 9)</p> <p><b>Risk Appetite Threshold:</b> 9</p> <p><b>Risk Response:</b> Treat</p> <p>Movement/Change in Risk Score: ↘</p> <p>Date of last movement: 16-Aug-18</p> <p>Review date: 16/11/18</p>	<p>Procurement of an IT system to manage Business Continuity plan update Sessions on MEP/BC plans for members and senior managers.</p> <p>Business Continuity test on key LBTH sites.</p> <p>Two additional staff have been identified and trained to perform the on-call rota for Civil Protection. Additionally the CPU Manager has resumed his role on the rota. This has increased the pool of those available and improved resilience.</p> <p><b>Trend:</b> Material</p>

			risk since August 2018.
CSDR0011	There is a risk that the Council may be challenged in Court for making a formal decision under the 1967 Act, to retain for educational purposes the newly constructed Christ Church Primary School's nursery building, which is built on a disused burial ground. (The basic premise of the challenge is that the school had no right to erect the building, and that it is unlawful to erect the building on a disused burial ground, and that it should be demolished).	<p>Significant Risk (Score 10)</p> <p><b>Risk Appetite Threshold: 9</b></p> <p><b>Risk Response:</b> Tolerate</p> <p>Movement/Change in Risk Score: →</p> <p>Date of last movement: 15-Jun-18</p> <p>Review date: 29/12/19</p>	<p>The court has ruled a 25 year deferral on the restoration order. New management arrangements involving a range of stakeholders are being negotiated with the Church for Christchurch Gardens</p> <p><b>Trend:</b> Amber risk since August 2014.</p>
RSB0019	Maintaining and strengthen financial viability/balance across MTFS period to 2020.	<p>Material Risk (Score 8)</p> <p><b>Risk Appetite Threshold: 16</b></p> <p><b>Risk Response:</b> Treat</p> <p>Movement/Change in Risk Score: ↘</p> <p>Date of last movement: 24-Feb-17</p> <p>Review date: 02/01/19</p>	<p>Monthly monitoring and management reporting of Council's financial position.</p> <p>Programme Manager for Council Savings Plan in place.</p> <p>Annual External Audit health check on financial processes including budgets and reporting.</p> <p><b>Trend:</b> Material risk since Feb 2017.</p>

The table below is a breakdown of the number of corporate risks by directorate for quarter 2, 2018/19.

Directorate	Grand Total	8	9	12	15	16	20	25
		Material	Material	Significant	Significant	Severe	Severe	Severe
HAC	2	0	1	1	0	0	0	0
CSD	5	0	0	1	0	2	0	2
PD	2	0	0	0	2	0	0	0
GD	0	0	0	0	0	0	0	0
Resources	1	1	0	0	0	0	0	0
<b>Total</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>2</b>

Table 1. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community directorate  
**CSD** – Children’s Services directorate  
**PD** – Place Directorate  
**GD** – Governance directorate  
**Resources** – Resources directorate

The Council’s strategic priorities detailed within the Corporate Strategy are as follows:

- **Priority 1: People are aspirational, independent and have equal access to opportunities.**

Outcome: People access a range of education, training, and employment opportunities.

Outcome: Children and young people are protected so they get the best start in life and can realise their potential.

Outcome: People access joined-up services when they need them and feel healthier and more independent.

Outcome: Inequality is reduced and people feel that they fairly share the benefits from growth.

- **Priority 2: A borough that our residents are proud of and love to live in.**

Outcome: People live in a borough that is clean and green.

Outcome: People live in good quality affordable homes and well – designed neighbourhoods.

Outcome: People feel safer in their neighbourhoods and anti-social behaviour is tackled.

Outcome: People feel they are part of a cohesive and vibrant community.

- **Priority 3: A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.**

Outcome: People say we are open and transparent putting residents at the heart of everything we do.

Outcome: People say we work together across boundaries in a strong and effective partnership to achieve the best outcomes for our residents.

Outcome: People say we continuously seek innovation and strive for excellence to embed a culture of sustainable improvement.

<b>Number of Risks associated with corporate Priorities</b>	
People are aspirational, independent and have equal access to opportunities.	2
A borough that our residents are proud of and love to live in.	1
A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.	7
<b>Total</b>	<b>10</b>

## **6. EQUALITIES IMPLICATIONS**

- 6.1 The primary objective of Equality Impact Assessments (EIAs) is to determine the differential impact of a proposed policy, service or business activity and obtain a profile of how it affects different community groups.
- 6.2 Identifying risks and measures that might be employed to mitigate adverse impact is a crucial part of the EIA process.
- 6.3 In order to facilitate mainstreaming of the monitoring and control of identified EIA risks as best practice, departments should include the identified risks and controls measures in the Corporate Risk Register.
- 6.4 Risk owners should be aware of equality implications when delivering the control measures.

## **7. OTHER STATUTORY IMPLICATIONS**

- 7.1 An ineffective audit committee could result in inadequate governance, risk and control arrangements remaining unchallenged, resulting in increased risks of fraud, waste or error and the potential for adverse criticism from the external auditor or other agencies. Full management of the Council's top risks (corporate risks) will allow for effective decisions to be made across the Council's business.
- 7.2 Risk management plays a key role in the civil contingencies bill. The Council has a responsibility to ensure it manages its risk effectively to reduce the risk of incidents affecting the safety of the community.
- 7.3 Environmental issues are at the forefront of decision making, this means that risk owners should only be agreeing to control measures that are environmentally friendly.

## **8. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 8.1 There are no specific financial implications arising from the recommendations within this report. General comments with regards the importance of effective risk management and the consequences of failure to monitor and manage organisational risks are contained within the body of the report.

## **9. COMMENTS OF LEGAL SERVICES**

- 9.1 The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness by virtue of section 3 of the Local Government Act 1999. This is known as its Best Value Duty.
- 9.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- List any linked reports  
NONE

## **Appendices**

Appendix 1 - Corporate Risk register

Appendix 2 - Corporate Risk Dashboard

### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- NONE

#### **Officer contact details for documents:**

- A.Sotande-Peters Ext: 4051