

Non-Executive Report of the:  <b>Audit Committee</b>  31 January 2019	
<b>Report of:</b> Neville Murton – Interim Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Q3 Risk Management Update 2018/19</b>	

<b>Originating Officer(s)</b>	Steven Tinkler - Head of Audit and Risk
<b>Wards affected</b>	All wards

### **Executive Summary**

The report and appendices provide the Audit Committee with an update on risks on the corporate risk register.

There are currently 9 corporate risks on the corporate risk register, a decrease from 10 reported in November following a review by the Corporate leadership Team.

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**

- 1.1 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	<p>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;</p> <p>Implement and maintain a fluid process for the 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 Directorate risk registers. New and emerging risks are also considered.
New and emerging risks	Risks around workforce planning challenges and the impact of leaving the European Union are to be added to the corporate risk register.
	At the 22 <sup>nd</sup> January 2019 there are <b>450</b> identified active risks on the Council's risk register. They are <b>789</b> mitigating actions to treat the identified risks.

#### 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

Table 1 below contains details of current corporate risks and updates by risk owners following review of risks. It provides the Audit Committee with a summary of the risk, control measures and relevant information on current status of the risk.

The current risk register contains a total of 9 risks, with three rated as red, four as amber and two as yellow. Two new risks (ICT0071 and CLPRCG0040) have been added to the corporate risk register in this quarter. Three risks (CSDR0011, CSDSC0004 and RSB0019) have been removed as corporate risks following review.

<b>Risk Reference</b>	CSD0016	<b>Risk Owner</b>	Richard Baldwin
<b>Risk Description</b>	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.		
<b>Raw Risk Rating</b>	15	<b>Current Risk Rating</b>	25
<b>Appetite Category</b>	Safety & Safeguarding	<b>Appetite Level</b>	<b>5-9</b>
<b>Update</b>	<p>13 Control Measures, 12 are 100% complete</p> <p>The Council has responded to the adverse Ofsted inspection with a programme of improvements and 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>		
<b>Review Date</b>	22/04/2019	<b>Overdue?</b>	NO
<b>Risk Reference</b>	CSDSC0005	<b>Risk Owner</b>	Mohamed Jolil
<b>Risk Description</b>	<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>Reputational risk of being the only Local Authority in England to be withdrawn from the programme.</p>		
<b>Raw Risk Rating</b>	16	<b>Current Risk Rating</b>	16
<b>Appetite Category</b>	Safety & Safeguarding	<b>Appetite Level</b>	<b>5-9</b>

<b>Update</b>	<p>The concerns which were raised by the ministry have now been addressed. Currently the number of turn arounds is twice the figure they were a year ago. There is a significant risk that should we not meet the target figures in relation to turn around then there would put a significant financial pressure on the Early Help budget in 2019/20.</p> <p>The local SSF programme has now been aligned to the Early Help in order to enable a dynamic interface between the data driven programme and direct delivery. This renewed energy has also included the alignment of the programme with the CSC Ofsted improvement plan in light of a planned monitoring visit by Ofsted in December 2018.</p> <p>Recovery plan submitted to, and accepted by DCLG and as a result they have released 50% of the attachment fee, which they were holding to following the spot check.</p> <p>The remaining £311k of unpaid PbR claims continue to be withheld by the Ministry until there is an increase in the performance of the team particularly in relation to PbR performance. There is a risk that the Ministry will not release the withheld £311k in 2018/19.</p> <p>Continued focus and robust project management is beginning to impact positively on performance.</p>		
<b>Review date</b>	02/04/2019	<b>Overdue?</b>	NO
<b>Risk Reference</b>	CSDSC0014	<b>Risk Owner</b>	Richard Baldwin
<b>Risk Description</b>	<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>		
<b>Raw Risk Rating</b>	25	<b>Current Risk Rating</b>	25
<b>Appetite Category</b>	Safety & Safeguarding	<b>Appetite Level</b>	<b>5-9</b>
<b>Update</b>	<p>2 Control Measures, 1 100% complete.</p> <p>Ofsted referred a number of cases and cohorts of children and young people that in their view the Local Authority had to review to assure themselves that children and young people are safe.</p> <p>LBTH CSCMT took action as requested and are reviewing that action has been taken. The Inspection and Improvement Board is overseeing this.</p>		
<b>Review Date</b>	22/04/2019	<b>Overdue?</b>	NO

<b>Risk Reference</b>	DRCPCD0022	<b>Risk Owner</b>	Richard Chilcott
<b>Risk Description</b>	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).		
<b>Raw Risk Rating</b>	25	<b>Current Risk Rating</b>	15
<b>Appetite Category</b>	Finance	<b>Within Appetite Level</b>	15-16
<b>Update</b>	3 Control Measures, 2 100% complete.  Risk will be withdrawn following conclusion on new lease arrangements.		
<b>Review Date</b>	04/02/2019	<b>Overdue?</b>	NO
<b>Risk Reference</b>	CLPRCG0040	<b>Risk Owner</b>	Oli Kapopo
<b>Risk Description</b>	We are currently at a recycling rate of 24.6% and have a target to reach 35% by 2020. Services are currently in transition from contracted to an in-house delivery model. This may impact on our ability to bring in long term measures to improve recycling on the service as there may be significant service redesign (New Risk)		
<b>Raw Risk Rating</b>	9	<b>Current Risk Rating</b>	9
<b>Appetite Category</b>	Compliance/Regulatory	<b>Within Appetite Level</b>	5-9
<b>Update</b>	New risk to be incorporated in wider waste management strategy risk.		
<b>Review Date</b>	31/03/2019	<b>Overdue?</b>	NO
<b>Risk Reference</b>	ASD0015	<b>Risk Owner</b>	David Jones
<b>Risk Description</b>	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.		
<b>Raw Risk Rating</b>	15	<b>Current Risk Rating</b>	15
<b>Appetite Category</b>	Safety & Safeguarding	<b>Within Appetite Level</b>	5-9
<b>Update</b>	9 Control Measures all 100% complete.  4 year (2015 – 2019) adults board strategy.  The actions within the SAB strategy aim to mitigate the risks associated with safeguarding.		
<b>Review Date</b>	24/09/2019	<b>Overdue?</b>	NO
<b>Risk Reference</b>	ASD0017	<b>Risk Owner</b>	Denise Radley
<b>Risk Description</b>	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.		
<b>Raw Risk Rating</b>	9	<b>Current Risk Rating</b>	9
<b>Appetite Category</b>	Safety & Safeguarding	<b>Within Appetite Level</b>	5-9
<b>Update</b>	12 Control Measures, 9 100% Complete.		

	All control measures have been actioned and are aimed at improving the effectiveness of the council's response.		
<b>Review Date</b>	31/03/2019	<b>Overdue?</b>	NO
<b>Risk Reference</b>	ICT0071	<b>Risk Owner</b>	Shazia Hussain
<b>Risk Description</b>	Failure to process customer requests due to the failure of the Siebel corporate CRM system.		
<b>Raw Risk Rating</b>	12	<b>Current Risk Rating</b>	12
<b>Appetite Category</b>	Innovation	<b>Within Appetite Level</b>	20-25
<b>Update</b>	New risk to be incorporated in wider ICT systems related risks.		
<b>Review Date</b>	21/02/2019	<b>Overdue?</b>	NO
<b>Risk Reference</b>	PLC0013	<b>Risk Owner</b>	Mark Baigent
<b>Risk Description</b>	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 or scheduled remedial actions to improve fire safety.		
<b>Raw Risk Rating</b>	15	<b>Current Risk Rating</b>	15
<b>Appetite Category</b>	Safety & Safeguarding	<b>Within Appetite Level</b>	5-9
<b>Update</b>	<p>Control Measures, 3 100% Complete</p> <p>The Council continues to work closely with the Government and London Fire Brigade to reduce the risk of unsafe cladding on privately owned residential blocks. We are currently dealing with 44 private buildings that have unsafe ACM cladding which Government guidance now clearly states should be removed and replaced. However, to date only 8 of these buildings have a remediation plan in place. Where a building owner fails to act, the Council has powers under the Housing Act 2004 to serve an improvement notice. The basis for this action is an assessment under the Housing Health and Safety Rating System (HHSRS). The Government has issued an addendum to the HHSRS guidance to refer explicitly to unsafe cladding. The amended guidance takes effect on 21 January 2019. The Council is gearing up to issue improvement notices in line with this new guidance. If the owner continues to fail to comply with the notice, then the ultimate remedy is for the Council to carry out the works in default. The Council is lobbying Government for financial assistance to cover these additional enforcement costs, should the need arise.</p>		
<b>Review Date</b>	01/03/2019	<b>Overdue?</b>	NO

The table below is a breakdown of the number of corporate risks by directorate for quarter 3, 2018/19.

Directorate	Grand Total	8	9	12	15	16	20	25
		Material	Material	Significant	Significant	Severe	Severe	Severe
HAC	2	0	1	0	1	0	0	0
CSD	3	0	0	0	0	1	0	2
PD	3	0	2	0	1	0	0	0
GD	0	0	0	0	0	0	0	0
Resources	1	0	0	1	0	0	0	0
<b>Total</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>2</b>

Table 2. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community directorate  
**CSD** – Children’s and Culture 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.	3
A borough that our residents are proud of and love to live in.	2
A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.	4
<b>Total</b>	<b>9</b>

#### **4. EQUALITIES IMPLICATIONS**

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.

Identifying risks and measures that might be employed to mitigate adverse impact is a crucial part of the EIA process.

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.

Risk owners should be aware of equality implications when delivering the control measures.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 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.

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.

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.

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

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.

## **7. COMMENTS OF LEGAL SERVICES**

The management of risk has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy efficiency and effectiveness. Therefore, the consideration of this report demonstrates the Council's compliance with its Best Value Duty.

The Council is also legally required to ensure that it has a sound system of internal control facilitating the effective exercise of the Council's functions. This includes arrangements for the management of risk and an effective system of internal audit. This report also demonstrates compliance with these legal duties also.

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

### **Linked Report**

- List any linked report

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:**

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