

REPORT TO: Audit Committee	DATE 28 June 2011	CLASSIFICATION	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director, Resources		Update on Risk Management		
ORIGINATING OFFICER(S): MINESH JANI Head of Risk and Audit		Ward(s) Affected: N/A		

1. Summary

1.1 This report gives an update on the Council's risk management arrangements. The purpose of this report is to give members of the committee an oversight of the authority's processes to facilitate the identification and management of significant business risks. The report also captures the risks reported to the CMT as part of risk management update on 14 June 2011.

2. Recommendation

2.1 The Audit Committee is asked to note:

- the contents of this report; and
- the actions planned over the next year to embed risk management in section 7 of this report.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97)

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"	Name and telephone number of holder And address where open to inspection
None	N/A

3. Background

- 3.1 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”.
- 3.2 All organisations face risks in everything that they do but by the proper management of its risks, organisations can benefit 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.

4. Corporate Risk Register

- 4.1 The review of risk at an operational and strategic level continues on a monthly basis at directorate and corporate levels. A timetable is in place to aid all directorates capture key risks and assess their significance. The methodology adopted by the authority to assess and prioritise key risks is used to focus attention on those risks that require attending to. Significant risks are examined at directorate level and any risk that remains significant after existing control are taken into account (residual risk) are reported to the Corporate Management Team (CMT) so that they can be considered further. This process allows all risks to be captured, including project and programme risks, contract, financial, reputational risks etc.

5. Risk Champions Meeting

- 5.1 Each directorate has nominated a key individual to be the risk champion for their directorate. Their role includes to:-
- Update and maintain directorate risks on JCAD Risk every quarter;
 - Facilitate the embedding of risk management within the directorate;
 - Maintain close liaison on risk and risk dynamics with individual service heads and DMT collectively
 - Challenge officers in their directorate in their assessment of risk and seek explanations over the proposed actions to manage the risk;
 - Build a risk-aware culture within their directorate and disseminate good risk management practices;
 - Provide advice and assistance as required;
 - Obtain an update on planned actions from appropriate service heads for reporting to CMT; and
 - Bring significant risks to the attention of the CMT.
- 5.2 The risk champions continue to meet every quarter and this forum provides a channel by which significant operational, project, contract, emergent or partnership risk can be included in the corporate risk process. Steps are underway to meet more frequently, possibly monthly.
- 5.3 The CMT last received an update on current risks on 17 May 2011. Since the last report to CMT the following new risks have been added to the strategic risk register:-

DRA0009 – Failure to deliver Decent Homes by 2016. The government set out four detailed key criteria to meeting their decent homes standard. The home should: meet the current statutory minimum standard for housing, be in a reasonable state of repair, have reasonably modern facilities and services and provide a reasonable degree of thermal comfort.

CEBD0001 – The council is unable to deliver the target level of affordable housing. Tackling issues relating to housing and overcrowding are top of the Mayor's list of priorities however reductions in government funding have already meant that previously approved schemes have become economically unviable.

CSD0011 – Sustained general financial pressure on the borough's child protection service. The number of children subject to child protection plans remains at an all time high for the council. Currently there are 297 children subject to child protection. These issues have been prevalent in Children Social Care for nearly two years following local serious case review and national anxiety.

S&EQ0001 – Lack of community cohesion resulting in a lack of opportunity for individuals to contribute to the development of local services. This can result in an increase in tension and levels of exclusion within communities, breakdown of understanding between different groups and communities and a lack of trust within communities and of statutory agencies.

CSFP0001 – Late information from central government agencies on for planning for the 2012 Olympics.

The Council have for some time been asking for accurate information regarding the exact details of the ORN and the AORN so that services can plan for the operational service delivery properly. The same applies to any security restrictions that will be in place. Whilst teams are planning for the worst case scenario with respect to traffic gridlock and public transport delays, there is an urgent need to map road closures and crossing closures to aid the GIS work.

CSE0010 – Insufficient capacity (assets, land and funding) to meet local needs for school places. There is a statutory responsibility for local authority to provide adequate infrastructure for education of children in catchment areas. Current projection shows a need for a secondary and two primary schools in the east of the borough.

AH005 – Accommodation –There is a significant risk to the Adults, Health and Wellbeing Directorate arising as a result of the accommodation changes required over the next 12 – 24 months, these related to the decant requirements of both operational and 'back office' services.

DRA0011 – Insufficient resources are available, or committed to deliver carbon reduction projects. These projects support delivery of the Carbon Management Plan which commits the Council to reducing its own operational CO2 emissions by 25% by 2012.

CLB0001 – There is a risk that the waste disposal procurement project may not deliver a solution that is within budget.

The Waste Procurement Project seeks to procure long term waste treatment and disposal services that will enhance the Council's recycling and composting performance or will deliver enhanced energy recovery from waste and a significant reduction of waste going to landfill. Through the use of the competitive dialogue process the Council is exploring current and future market opportunities to deliver security of disposal and value for money.

BSF10002 – Failure to agree a Deed of Variation to the existing PFI Project Agreement. The cost of coming out of the PFI scheme or amending the existing scheme, will need to be met from Council funds.

The Council wishes to carry out BSF investment works at secondary schools that are currently part of an existing Grouped Schools PFI contract. The Council has determined that its preferred method for implementing this work is that the existing PFI FM arrangements remain in place, for work to be carried out by the LEP, and then the schools are adopted within the ongoing FM requirements as set out in the existing PFI Project Agreement. Cabinet agreed that the Council proceed with a variation on the existing PFI contract which provides the Council with permission to undertake the much needed work in the schools.

DRDH0001 – The Government's 'welfare reform' agenda leads to a reduction in both the supply of affordable private sector rented accommodation and the willingness of private sector landlords to rent to benefit dependant households.

There are significant reforms to Housing Benefit planned including caps to Local Housing Allowance and a ceiling on total benefit payable. The introduction of universal credit may reduce how much claimants receive as benefit. All of these will influence private sector tenants' ability to pay the rent.

HR0003 – Industrial action by trade unions – either in response to local decisions relating to budgetary reductions or Central Government policy decisions on pay and pensions.

ICT0007 – Data compromised

The Council needs to ensure that all personal data it holds is kept secure. The Information Commissioner's Office has made it clear that they will fine organisations that fail to adequately protect personal information.

HR0005 – Workforce planning – failure to implement strategy and plans. Workforce Planning - Failure to implement effective strategy and plans to enable review of performance measurement information, address workforce and organisational issues that occur, assess and adjust the plan and strategies as necessary thereby running the risk of failing to respond to unanticipated changes.

RSB0016 – A model efficiency programme to take account of the likely reduction in future funding across the public sector is not developed particularly in light of the Spending Review and the uncertainty around some specific goals and the impact of front loading the savings deliverables from 2011/12.

ICT0011 – Major ICT service infrastructure and/or failure of framework I, care alarm, JD Edwards, Iworld, etc leading to a potential business continuity risk.

CEAC0004 – Publication or broadcast of content that presents reputational risk to the Council.

CEAC0005 – East End Life compliance with statute, guidance and regulation. DCLG have published guidance on publications by local authorities. The main purpose of this is to reduce/stop publication of content that is perceived to compete with local independent newspapers.

AH0028 – Risk of a significant contractor going into administration. The Authority has one block contract in place with this company within the Borough. In addition, the Borough has a number of spot contracts in place with this provider.

6. Embedding Risk Management

6.1 Over recent months, a number of activities have been initiated to further embed risk management, including:

- Half day training courses for risk management as part of the corporate Learning and Development programme;
- Induction to risk management for new starters;
- Risk management workshops for services to develop their risk management practices;
- Implementation and embedding of the JCAD Risk Management database ;
- JCAD Risk to over 90% of all service-heads council-wide;
- Improved functionality and reporting capability (speed, accuracy, efficiency and quality) in risk management via the JCAD database ;
- On going assistance and advice to senior officers across the authority;
- A review and update of the risk management guidance used by staff and managers;
- A simplification of the corporate and strategic risks and the accompanying procedures;
- Incorporating risk management into the annual business performance plans of the services.

7. Next Steps

7.1 The following key actions are in hand to further enhance the risk management process by:

- Integrate risk management into the culture of the Council.
- Support the strategic aims and objectives of the Council.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Raise awareness of the need for risk management by all those connected with the delivery of services, including strategic partners, contractors etc
- Undertaking further risk awareness and influencing briefings focussed at member level.
- Enhance risk management processes around project management.
- Consider the development of an effective e-learning tool further, which will facilitate a more flexible learning and provide a robust arrangement for training, particularly new starters; and

8. Comments of the Chief Financial Officer

8.1 These are contained within the body of this report.

9. Concurrent Report of the Assistant Chief Executive (Legal Services)

9.1 The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.

10. One Tower Hamlets Considerations

10.1 There are no specific Equal Opportunities issues arising from this report. Sound risk management is one of the ways in which the Council ensures that it discharges its functions in accordance with its expressed objectives, including those set out in the Community Plan, and that it does so in accordance with statutory requirements.

11. Anti-Poverty Considerations

11.1 There are no specific Anti-Poverty issues arising from this report.

12. Risk Management Implications

12.1 The revised control environment should pick up the areas identified as of concern and reduce the residual risk.

13. Sustainable Action for a Greener Environment (SAGE)

13.1 There are no specific SAGE implications.