REPORT TO: Audit Committee	DATE **15 December 2009**	CLASSIFICATION	REPORT NO.	AGENDA NO.
REPORT OF: **Corporate Director, Resources** ORIGINATING OFFICER(S): **Service Head Risk Management**		**Update on Risk Management** **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 3 November 2009.

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 8 of this report.

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.   The Use of Resources assessments have also focused on risk management as an integral part of sound systems of internal control.

3.3   At its inception, risk management came into being from failures in the private sector where seemingly sound organisations failed spectacularly. The focus was initially on the financial viability of such organisations and how financial risk was being managed. Increasingly however, the proactive approach to dealing with issues afforded by the risk management technique is acknowledged. Risk management is thus applied not just the financial consideration, but equally if not more so to non financial considerations including the management of all resources, reputational management, promoting innovation, supporting decision making and developing effective performance management.

4.   Corporate Risk Register

4.1   The review of risk at an operational and strategic level continues on a quarterly 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.

5.3 The CMT last received an update on current risks on 3 November 2009. The main changes to risks and new and emerging risks identified in the report are summarised below.

Two emergent risks were identified and reported to at the last CMT, these being:

The "Southwark Judgement"

Identified at the last quarter, the status of this risk continues to be monitored. Its main aspects are that the recent "Southwark Judgement", placing statutory responsibility on to local authorities to house homeless children (particularly 16-17 year olds), is identified as an emergent and significant financial risk and one which could become both corporate and directorate in its nature.

The Working Neighbourhood Fund

Also identified in the previous quarter and likewise continues to be monitored. The key aspect of this risk from the Working Neighbourhood Fund (WNF) is whether it can fund as intended up to 4,000 sustainable jobs in the borough and also whether its programmes and projects can be effectively administrated and managed to evidence performance against agreed funding outcomes.

The main corporate changes to risks identified in the CMT report are summarised below. :-

DRD0002 - Financial penalties for not achieving the CRC Energy Efficiency Scheme. This risk was emergent in the previous quarter and has now crystallized. It threatens financial levies for authorities that do not meet the desired target, fail to maintain the evidence pack or miss statutory deadlines.

CEBD0001 – Failure to deliver a credible public awareness campaign and also within budget for Tower Hamlets Together. It is foreseen that questions in the media, Whitehall about the Council, its probity and integrity as an authority able to properly manage public funds in an accountable and open manner could arise. Ultimately there could be damage to reputation impacting upon the ability to apply for and receive government aid/funding.

Swine Flu – A number of directorates have identified the risks arising from swine flu, in particular, services with social care. This is also a prominent risk for the Communications team. In this report, the nature of risk affecting each directorate has been shown to allow members to form a holistic view of the interdependencies of the risks.

Strategic Risk Register

The strategic risk register captures significant risks within directorates and is a key part of the corporate planning process. Over the last quarter, the main changes in risks deemed to be significant and/or to be newly-reported to the Audit Committee are as follows:-

At Development and Renewal

DRA0001 – Failure to deliver Decent Homes by 2016. The consequences of this risk impacting are seen as an adverse impact on the Council's CAA, loss of some £200M in funding, failure to improve stock and also damaged and downgraded reputation.

DRC0002 - Resources required by the Directorate to deliver its priorities are not available or not sustainable. The impacts of this risk are

identified as the requirement to make compensatory savings to balance budget, low staff morale, failure to deliver community, strategic and directorate priorities. Additionally, a failure to recruit/retain key staff, to develop and maintain systems as well as a negative impact on wider performance frameworks (CAA) is also foreseen.

At Resources

RSB0010 – Future settlement will be much lower than the current level. The current level of funding (in real terms) is seen as unsustainable requiring planning to meet the expected shortfalls. Consequences of this risk include inability to fund key priorities and service plans, revision of existing growth and savings plans and also revision of the MTFP.

RSC0001 - ICT service model for the ALMO not achieved. The impacts of this risk are envisaged to be reputation loss, loss of future budget and business and loss of economies of scale.

RSE0002 - The cost of administrative buildings may increase substantially from 2010/11 with any shortfall having to be made up from other sources of funding.

RSB0014 - Failure to deliver Financial Management Review Programme. The main consequence of this risk is seen as an inability to develop a financial management response to public sector spending cuts

Communities, Localities and Culture

CL002 – The Procurement Project for the Waste Strategy does not deliver a solution that is within budget. This is a financial risk wherein significant growth is required in future waste disposal budgets to cover the rising cost of waste disposal services.

CL0013 – Council IT infrastructure and externally provided IT services. The key aspect of this risk is seen as an inability of the Council to meet performance targets on public internet access and resultant/causal low customer satisfaction ratings.

At Adult Health & Wellbeing

AHC0001 – Insufficient capacity to manage sickness levels and other HR tasks is seen as potentially creating an adverse impact on the ability to deliver services.

AH0009 – Personalisation – Targets are not met in giving clients choice and control. The main consequences of this risk are seen as criticism from external inspectors, reputational downgrading, potential implications for attracting government funding and depressed staff moral

AH0010 – Personalisation – New resource allocation system leads to AHWB budget being overspent. Enforced financial cutbacks, possible redundancies and depressed staff morale are seen as potential consequences of this risk.

AH0012 – The expected swine flu pandemic impacts on AHWB capacity to maintain essential services.

At Children Families and Schools

CSD0006 –Implementation of actions arising from the Laming report into Baby P may require additional financial resource. Identified as an emergent risk in the previous quarter, this risk has now formed. Children Schools and Families, like all other local authority children's services departments, are waiting for the detailed response to the Laming recommendations to be made by the DCFF, which has yet to come, and which may require/necessitate further increases in resource levels in order for the recommendations to be implemented.

CSF0003 - There may be a failure to maintain the performance rating under the new Comprehensive Area Assessment (CAA). Consequences believed to impact in relation to this risk are loss of reputation, depressed staff morale, loss of funding and loss of flexibilities.

CSG0005 - The financial risk around the BSF programme and the existing PFI scheme with a linked and consequential delay in implementing capital investment works into schools. The primary potential impact of this risk is seen as the cost of coming out of the PFI scheme or amending the existing scheme having to be met from council funds. Additionally there could be a delay in funding being delivered into BSF schools (5 schools @ £70m).

5.4 For all significant risks, action plans are in place to reduce the Council's overall exposure from the risks.

6. Embedding Risk Management

6.1 Over recent months, a number 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 roll-out council-wide of the JCAD Risk Management database ;
- Migration of all risk data previously held on ad hoc spreadsheets to the JCAD database;
- JCAD Risk presentations to all DMTS;
- JCAD Risk training to all risk champions and also to date to over 90% of all service-heads council-wide;
- On-going discussions with officers to extend the JCAD Risk system to capture major project risks;
- 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;
- Development of an e-learning tool capturing risk management, money laundering, and anti fraud;
- A simplification of the corporate and strategic risks and the accompanying procedures;
- A review of a number of electronic solutions to assist in the management and reporting of risks with a view to procuring a practical software;
- Creation of a Terms of Reference for the Tower Hamlets Partnership Risk Management Group which has been proposed to the Group, this arising from two meeting of the Group that took place over recent months with a third meeting to take in December 2009;
- Creation of a web portal to share best practice around partnership risks with key stakeholders within Tower Hamlets, such as the police, pct etc; and
- On-going discussions around the development of a risk management policy protocol with the Interim Director of Tower Hamlets Partnerships for Tower Hamlets Partnerships to link in with a review of the governance arrangements at the Partnership.

7. Use of Resources

7.1 Under the Use of Resources assessment, the Audit Commission assessed risk management as an element of Internal Control. For 2008/09, their assessment scored risk management 3 out of 4, which means that this area is performing well. To try and improve on this score under the Comprehensive Area Agreement, a number of actions are proposed, as detailed below.

8. Next Steps

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

- Further developing and consolidating use of the JCAD Risk Management database at the Council, specifically, extending use of JCAD to capture and report key project risks;
- Enhancing key performance indicators for monitoring the effectiveness of the risk management process;
- Undertaking further risk awareness and influencing briefings focused at member-level;
- Enhance risk management processes around project management;
- Continuing to lead, develop and embed the role of the Partnership Risk Management Group as a means of increasing the effectiveness of the risk management process;
- Continuing to strengthen the Council's operational and professional links with community and national risk register processes as established by the Civil Contingencies Act (2004), and to utilise these to inform and constructively challenge the Council's existing risk management arrangements and assumptions;
- Producing a Risk Management policy protocol for the Tower Hamlets Partnership (THP) that is owned and complies with best practice in the public sector whilst recognising the unique role of the Partnership in this arena;
- Capturing sustainability impact appraisals to support strategic policy decisions;
- Developing an effective e-learning tool further, which will facilitate a more flexible learning and provide a robust arrangement for training, particularly new starters; and
- Continuing to provide a relationship of effective training and support to the Council and its key partners, including third sector organisations where appropriate.

9. National Risk Register

9.1 The Audit Committee may be aware that the Cabinet Office published the National Risk Register in November 2008, which was reported to CMT on 16 December 2008 and subsequently to the Audit Committee in January 2009. The register was intended to capture the range of emergencies that might have a major impact on all, or significant parts of the UK. The register provides an assessment that the UK and its citizens could face over the next five years and is categories into three parts; accidents, natural events (collectively known as hazards) and malicious attacks (threats).

9.2 The Cabinet Office is updating the national risk register and plans to publish updates in the new year.

10. Comments of the Chief Financial Officer

10.1 These are contained within the body of this report.

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

11.1 There are no immediate legal implications arising from this report.

12. Equal Opportunity Considerations

12.1 There are no specific Equal Opportunities issues arising from this report.

13. Anti-Poverty Considerations

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

14. Risk Management Implications

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

15. Sustainable Action for a Greener Environment (SAGE)

15.1 There are no specific SAGE implications.