REPORT TO: **Audit Committee**	DATE 12 December 2011	CLASSIFICATION Unrestricted	REPORT NO.	AGENDA NO. 5.5
REPORT OF: **Corporate Director, Resources** ORIGINATING OFFICER(S): **MINESH JANI** **Head of Risk and Audit**		**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 fulfil the remit of the Audit Committee as a body responsible for 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 15 November 2011.

2. Recommendation

2.1 The Audit Committee is asked to note the contents 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.

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 champion has changed for the Communities, Localities and Culture directorate. The new member has received considerable training to allow him to make a positive contribution in the management of risks.

5.3   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. The risk champions now meet monthly and report risks to the Corporate Management Team and the Mayors Advisory Board on a regular basis.
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5.4   The total number of risks recorded on the Council's risk system (JCAD Risk) is 126, which includes strategic, directorate, service and team risks. Of these a total number of 18 have been identified as strategic risks and escalated to the Corporate Management Team.

5.5   The CMT last received an update on current risks on 15 November 2011. The strategic risks reported to the team are as follows: -

S&EQ0001 – challenges to community cohesion. Recent events have increased the exposure to this risk. The One Tower Hamlets team are working on a number of actions such as Prevent Local proposals to mitigate this risk.

DRC0007 - The level of resources available to support housing revenue and capital expenditure impact upon the viability of the council's Housing Revenue Account (HRA) 30 Year Business Plan. This risk is recognised within the HRA 30 Year Business Plan. The plan drew attention to the uncertainties and risks inherent in the assumptions used in the financial model and further reports are scheduled to develop risk mitigation plans over and above those already identified.

DRA0012 - The council is unable to deliver the target level of affordable housing. Key actions to manage this risk include to continue to explore opportunities to use council owned land for affordable housing and investigate alternative funding sources.

CSC0024/8 and CSFO0001 - Impact of the Olympics on Tower Hamlets;

- Reputational risk resulting from misdirected blame for Olympic Games disruption to the Community (e.g. Imposition of TfL's Olympic Route Network, police security restrictions, LOCOG trading enforcement restrictions
- LBTH ICT inability to deliver and maintain critical IT systems and related support services in Games-time
- Failure of critical LBTH services supporting vulnerable local people, key universal services (e.g rubbish collections) and compliance with statutory duties
- Failure to communicate key service and strategic messages to residents, businesses and staff
- Late information from central government agencies on for planning for the 2012 Olympics (CSF)

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 6 – 18 months, these related to the decant requirements of both operational and 'back office' services.

RS0039 - There is a risk that additional savings required to respond to the local government financial settlement and budget growth pressures need to be fully formulated, which may impact on the financial resilience of the Council and its medium term financial strategy from 2012/13. The Council, in response to the financial settlement, has already approved a savings programme of £55m over the three years to 2013-14. However, it is recognised that further savings proposals are necessary to allow the council to set a balanced budget in 2012-13 and 2014-15.

The Medium Term Financial Planning process has been developed to ensure that there is robust intelligence to support future funding and inflation projections, cost and service demand trends are closely monitored as part of the on-going budget monitoring process, budget savings options are considered in a timely manner.

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. This risk has been recognised as a strategic risk for a number of months and the strike action on 30th November and the possibility of further action means the authority will need to plan its priorities carefully on strike affected days.

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. This risk focuses on more specifically on housing but the welfare reform will impact more broadly on people living in Tower Hamlets and will have an effect on the Council's service provision.

DRA0009 – Failure to deliver Decent Homes by 2016. The major element financing the Decent Homes Programme is Backlog Funding of £94.5m from the Homes and Community Agency. This government funding is profiled over four years (2011 - 2015) and it is important to note that only the first two years of the allocated funding is guaranteed. Funding of £71m for 2013 - 2015 is subject to meeting agreed performance and decent homes targets and dependant on the continuation of government policy and resources.

DRA0011 – Insufficient resources are available, or committed to deliver carbon reduction projects. The key actions to mitigate the risk are; investigate the potential of accessing funding from LDA RE:FIT programme ; the Capital & Asset Board ensure engagement and commitment to the Carbon Management Plan and to enter into agreement with Carillion to bring forward works under CERT programme.

CEAC0004 – Publication or broadcast of content that presents reputational risk to the Council. A programme of media training for key spokespeople is scheduled.

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.

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.

ICT0011 – Major ICT service infrastructure and/or failure of framework I, care alarm, JD Edwards, Iworld, etc leading to a potential business continuity risk. There have been recent instances of key applications and the ICT is working to ensure action is taken to manage the risk in future.

TP-SW0007 - Failure to vacate and surrender Anchorage House lease on time. A number of actions are underway and the risks are being managed by the project team tasked with delivering this project.

RS0038 - The approved savings programme for 2011/12 - 2013/14 of £55m may not be delivered either in full or to the original timescales. Individual savings proposals have been developed with associated implementation programmes. Governance arrangements are in place for reporting on delivery against programme to CMT and MAB with a clear link to the monthly budget and performance monitoring process. For 2011/12, the planned savings amount to £31M, for 11/12, the savings target is £14M and for 12/13, the target is £10M. This risk is primarily focused on the financial risk of savings not being achieved in the current financial year.

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.

6. **Emerging risks and risk management update for October 2011**

Emerging risks are those that have not yet occurred but are at an early stage of becoming known and/or coming into being and expected to grow greatly in significance. The CMT considered the following as possible emerging risk to the Council:

- Risks arising out of the *proposed merger of the Children's Schools and Families directorate and the Adults, Health and Wellbeing directorate*;

- Risks around the *delivery of the transformation agenda* still need to be articulated at the corporate level;

- The *Welfare Reform Bill* if implemented as proposed will have a significant impact on our community. Although the strategic risk is recognised, further consideration of specific risks will be required; and

- *Strategic risks around the Olympics* need to be fully articulated. Over the last few weeks, a number of discussions have taken place to elaborate the nature and significance of risks relating to the Olympics. The complexity of the Olympics arising from the number of organisations involved and the reliance and coordination associated with working together requires a clear understanding of how that could impact on the Council and the services provided by the Council. Further, following discussions of the Civil Contingencies Board, a paper will be brought to CMT shortly to deal with the specific issue relating to the management of the Borough Emergency Control centre during Olympic Games time.

7. Embedding Risk Management

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

- Development of an action plan to highlight key risks to officers;
- Half day training courses for risk management as part of the corporate Learning and Development programme. The last training on 7 November attracted 12 candidates and the training scheduled for 24 November has five officers booked to attend;
- Appointment on an experienced Strategic Risk Advisor;
- Development of an assurance map with performance and financial;
- Risk management workshops for services to develop their risk management practices;
- Implementation and embedding of the JCAD Risk Management database;
- Continuous review of 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;

8. Next Steps

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

- Integrate risk management into the culture of the Council;
- Identify and report risks specifically around bribery;
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- Support the strategic aims and objectives of the Council;
- 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 processed around project management;
- Fund 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

9. Comments of the Chief Financial Officer

9.1 These are contained within the body of this report.

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

10.1 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.

11. One Tower Hamlets Considerations

11.1 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.

12. Anti-Poverty Considerations

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

13. Risk Management Implications

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

14. Sustainable Action for a Greener Environment (SAGE)

13.1 There are no specific SAGE implications.

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	Minesh Jani, 0207 364 0738