

BRIEFING PAPER FOR CORPORATE MANAGEMENT

TEAM

TITLE	AUTHOR	ITEM NO	Corporate Risk Management Team
<i>Review of the Council's Corporate Risks (Quarter 2-2014/5)</i>	<i>Minesh Jani Resource's Directorate Head of Audit and Risk</i>		

1.0 Introduction

- 1.1 The purpose of this report is to provide CMT with the quarter 2 (2014/5) corporate risk register.
- 1.2 This report includes a summary of the most recent corporate risk register, identifies the changes made to the register during the second quarter on 2014/5 as well as highlighting two risks that are submitted for possible inclusion in the corporate risk register, pending CMT approval. There is also a brief report on research carried out by Zurich Municipal concerning local authority senior management teams' perceptions of strategic risk and a comparison between this research and the current council corporate risk register.
- 1.3 Details of the current corporate risk register are contained in appendices 1 and 2. Appendices 3 and 4 outline the risks that have been de-escalated and also escalated (for CMT approval). Appendix 5 is the council's risk assessment process.

Appendix 1 – Corporate Risk Movement report which shows any movement or change in risk score

Appendix 2 – Corporate Risk and Controls Progress report. This is a detailed report which shows the progress made by officers managing these risks and controls;

Appendix 3 – Risks that have been escalated by Directorates for CMT consideration and approval for inclusion on to the corporate risk register.

Appendix 4 – Risks that were de-escalated from the corporate risk register , by CMT, on 2 September 2014

Appendix 5 – The Council’s Risk Assessment process.

2.0 Recommendations

2.1 That CMT:

- a. Confirm the Q2 Corporate risk register and to include on the register the two risks awaiting CMT approval
- b. Identify any new risks that should be added to the corporate risk register.

3.0 Background

- 3.1 Risk Management is an essential tool in managing the business of the Council, and as such, effective Risk Management allows the executive the opportunity to identify risks that may prevent the Council from achieving its strategic aims and objectives. The methodical consideration of risks and the design of the how the risk will be mitigated as a proactive management tool is recognised as part of the good governance by the Corporate Management Team and the Mayor’s Advisory Board. The Council’s process for reviewing and reporting risks also provides evidence in meeting its legal obligations under the Accounts and Audit Regulations 2011.
- 3.2 Corporate risks are those concerned with ensuring overall success of Council objectives, and the vitality and viability of the organisation. Materialisation of such risks may have financial consequences; significantly affect the reputation and performance of the Council as well as potential health and safety impacts for its staff, and others. Each risk included on the corporate risk register is assessed and scored and a number of actions identified, These are recorded on the Council’s Risk Management information system (JCAD).
- 3.3 Risks that feature on the corporate risk register have been identified by CMT and also include risks that have met the corporate risk criteria and escalated by each directorate. These risks are considered by the Risk Champions group who review them before they are reported to CMT and MAB in the quarterly reports.
- 3.4 Risks are assessed, using the Council’s risk assessment process, in terms of how likely a risk is to occur and what the consequences would be if it did. (See appendix 5). Based on that assessment risks are classified as follows:

Red (Severe) indicates that the risk is very significant and requires immediate comprehensive management attention.

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.

Yellow (Material) indicates that the consequences of the risk are of concern although treating the risk will be through contingency planning.

Green (Low) indicates the likelihood and impact of the risk relatively unimportant.

4.0 The Corporate risk register

4.1 On the 2 September 2014, CMT undertook a complete review of the corporate risk register in a risk identification workshop facilitated by Phil Coley, Zurich Municipal. This resulted in a reduction in the number of corporate risks from 20 to 10. CMT took the view that 10 of these risks were no longer of corporate importance. Work is continuing to ensure that the 10 risks remaining on the register are fully updated. Phil Coley is currently meeting corporate risk owners and should be finished this exercise by late October /early November.

4.2 At this workshop the Head of Paid Service indicated he wanted a more robust mechanism when risks were escalated from directorates on to the corporate risk register. The Risk Champions group subsequently agreed that :

- Where an officer wishes to add a risk on to the corporate risk register it must be agreed by that directorate's DMT (if urgent by the Chief Officer).
- The group would provide a more robust challenge for risks which have been escalated in this way.
- Risks which have been escalated from the directorate, agreed by their DMT and the Risk Champions group will be presented to CMT on a "pending approval list" (see appendix 3). CMT would then have the opportunity of agreeing/not agreeing that risks for inclusion on the corporate risk register.
- The group will review the current definition of a corporate risk and provide guidance to directorates

4.3 The current risk register contains a total of 10 risks which are all rated as amber (see para 3.4 above for the risk definitions). This compares with the quarter 1 2014/5 corporate risk register which had one red risk, 17 amber risks and two yellow risks.

	Quarter 2 2013/4	Quarter 3 2013/4	Quarter 4 2013/4	Quarter 1 2014/5	Quarter 2 2014/5
Red	2	1 (-1)	1	1	0 (-1)
Amber	6 (+3)	14 (+8)	15 (+1)	17 (+2)	10 (-7)
Yellow	9 (+3)	2 (-7)	1 (-1)	2 (+1)	0 (-2)
Green	0	0	0	0	0
Total	17	17	17	20	10
Difference +/-	+6	0	0	+3	-10

Table 1 Corporate risks by Quarter

4.4 There have been no changes in risk score to the ten corporate risks since the September. However the current review, by Phil Coley, ZM, may lead to changes in score and any changes will be reported in the quarter 3, 2014/5 report to CMT.

4.5 Below is a breakdown of the number of corporate risks by directorate for quarter 2, 2014/5.

Risk Scores								
Directorate	6	8	10	12	15	16	20	Total
CLC	0	0	2	0	0	0	0	2
D&R	0	0	0	0	1	0	0	1
ESCW	0	0	0	0	2	0	0	2
LPG	0	0	0	3	0	0	0	3
Resources	0	0	0	1	1	0	0	2
Total	0	0	2	4	4	0	0	10

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

Risks aligned to Corporate Priorities

4.6 The table below shows the number of risks that are associated with a particular corporate priority. It should be noted that no risks have been identified against the corporate priority “A health community” for over 15 months. Following the recent review there are now no risks identified against “A Prosperous Place to Live”.

Corporate priority	No of risks Q4 2013/4	No of risks Q1 2014/5	No of Q2 2014/5
One Tower Hamlets	11	13	7
A Safe and Supportive Community	1	1	1
A Prosperous Community	1	2	0
A Great Place to Live	4	4	2
A Health Community	0	0	0
Total	17	20	10

Table 3. The number of risks identified by Corporate priority

Changes to the Q2 Corporate risk register

4.7 The following section identifies the changes and movement in the corporate risk register since the last quarter report:

Risks de-escalated from corporate to directorate level

4.8 There are ten risks that have been de-escalated from corporate to directorate level as a result of the CMT decision on 2 September 2014. A list of these risks is attached as appendix 4.

New risks – “Pending approval by CMT”

- 4.9 The following two risks have been identified by the ESCW directorate DMT as risks that wish be included on the corporate risk register, subject to CMT consideration and approval:

ESW0015

Equal Pay Claim resulting in circa £1m additional annual cost to the authority

ESW0016

Unintended financial impacts as a result of the Care Act will lead to a £10m unbudgeted pressure on the Council

Details of both risks are attached as appendix 3. CMT are requested to review both risks and consider whether they should be admitted on to the corporate risk register.

5.0 New world of risk - change for the good

- 5.1 Zurich Municipal (ZM) recently published a report called “New world of risk – change for the good”. The report is based upon research undertaken by Ipsos MORI who were commissioned to explore risks facing the UK public sector now and in the future. In particular the research focused on:

- Strategic risks facing local authorities
- Importance of and ability to deal with those risks
- Extent to which organisations are changing processes

Over 70 quantitative interviews conducted with local government chief executives and directors. Ipsos MORI also interviewed nearly 1000 members of the public about their concerns although these are not reported here. A copy of the full report can be downloaded from the ZM website and there is a link to their website at the end of this report.

- 5.2 Reproduced in table 4 below is senior management teams’ perception of risk from the ZM report, comparing 2014 to 2010 – the last time this research was carried out and published.

Changes in local government senior management team perceptions of risks	Risk Ranking	
	2014 Local Govt leaders (n=70)	2010 all public sector leaders (n=100)
Budget pressures*	1	1
Changes in government policy, legislation and regulation	2	2
Workforce (attracting and retaining the right skills, performance, reward package)	3	5
Business and organisational transformation (statement added in 2014 study - no comparison available)	4	–
Working with other organisations (for example supply chains, outsourcing and partnership working)	5	6
Reputation management	6	3
Social risk e.g. population changes, crime, antisocial behaviour	7	7
Data protection or security†	8	8
Operational risk management including health & safety	9	4
Environmental challenges, e.g. extreme weather events, climate change††	10	9

In 2010 the following statements were worded as follows: *Budget uncertainty; †Data protection or security risks; ††climate change

The respondents in 2010 were leaders from a cross section of public sector organisations. The 2014 study gave a more focused view on those working solely in local government.

Respondents rated each major risk on a scale of 1-10 where high is a score of 8-10, medium is 5-7 and low is 1-4. Risk ranking is based on the percentage of respondents rating each statement of high importance (8-10).

Table 4- Changes in senior management team perceptions of risk - 2014 and 2010.

5.3 Comparing the list of risks in table 4 above with the current council corporate risk register, the following observations are noted:

1. The same risks as the LBTH Corporate risk register:

- a. Budget pressures (LBTH risk reference RSB0019 – Maintain financial viability)
- b. Reputation Management (LBTH risk reference LPGCOM003 – Manage reputation of the Council)

2. Risks where there is an overlap with LBTH corporate risks

- a. Working with other organisations (for example supply chains, outsourcing and partnership working).
(LBTH risk reference PPM0016 – Supply chain)
- b. Social risk e.g. population changes, crime, antisocial behaviour
(LBTH risk reference LPGSE0001 – Community cohesion)
- c. Operational risk including Health and Safety
(LBTH risk references CLSCCB0001 – Health and Safety and CLSCEH0002 – Business continuity management)

3. Risks which are not included on the LBTH corporate risk register

- a. Data protection or security (Note two LBTH risks were recently de-escalated from the corporate level - LBTH risk reference LPGLS0002 – Information governance and ICT SP0009 – PSN compliance) – See appendix 4.
- b. Changes in government policy, legislation and regulation
- c. Workforce (attracting and retaining the right skills, performance, reward package)
- d. Business and organisational transformation
- e. Environmental challenges e.g. extreme weather events, climate change

4. Risks which are only on LBTH corporate risk register

- a. ESW001 – Death or harm to child or vulnerable adult
- b. DRA0016 - Failure to meet the borough's housing targets
- c. ESWRS001 - Council's inability to meet demand for school places
- d. LPGLS0001 -Non-compliance with corporate governance procedures

CMT are invited to review the senior management risk perceptions outlined in table 4 above and consider whether there are any new risks they wish to add to the council's corporate risk register.

Link to the New world of risk – change for the good report

https://www.zurich.co.uk/NR/rdonlyres/2EB6EE74-84B1-4085-9A8F-BDE8884CD75E/0/C53943_Local_Authority_Report_A4_INTERACTIVE.PDF