

Report for: INFORMATION
Item number: 6

Contains confidential or exempt information	Yes – Appendix A pursuant to paragraphs 3 & 5 of Schedule 12A of the Local Government Act 1972.
Subject of report	Risk Management Performance Report – Quarter 2 2019/20
Responsible officer	Ross Brown, Chief Finance Officer
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Portfolio	Cllr Bassam Mahfouz - Finance & Leisure
For consideration by	Audit Committee
Date to be considered	27 November 2019
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Strategic Risk Management

Reason for report
This report provides Audit Committee with an update in respect of the review by Senior Leadership Team of strategic risks facing the council as at the end of Q2, 2019/20.

1. Recommendations

1.1 It is recommended that Audit Committee considers the current Strategic Risk Register (Appendix A) and provides comments to officers for their consideration.

2. Reason for recommendation and options considered

2.1 This is a periodic report to update Audit Committee on the strategic risks facing the council; no decision is required.

3. Key implications

- 3.1 The Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards 2017 require the council to maintain a robust, adequate and effective system of risk management in its delivery of core services. Operation of an effective and embedded risk management framework is an important element of such a system so that the council effectively discharges its corporate governance responsibilities.
- 3.2 The Senior Leadership Team (SLT) is responsible for reviewing the Strategic Risk Register, ensuring that the management of risk continues to be within the council's risk appetite. Audit Committee is responsible for considering the effectiveness of the council's strategic risk management arrangements. The Strategic Risk Register was reviewed by SLT on 13 November 2019.

4. Strategic Risk Register (SRR)

- 4.1 The council's strategic risks documented in the SRR are determined by SLT, last reviewed on the 13 November and comprise of key inherent, transitory and emerging risks which either:
- significantly affect the council's ability to achieve the Borough's long-term strategic objectives and priorities which are set out in the Corporate Plan;
 - are relevant and important to all or most of the council's services and functions;
 - are external to the council but which have potential significant impacts on the Borough, or parts of the Borough, as a whole; or
 - have potentially severe reputational consequences should they materialise.
- 4.2 In addition, the SRR will include any Directorate or Department risks that have a high residual risk rating (total risk score of 20 and above), but which are not already linked to, and part of, a strategic risk. There are no risks of this nature in the current SRR.
- 4.3 The Q2 SRR contains 19 risks (2 more risks than Q1), and no emerging risks. The residual risk ratings are summarised below. This is because the emerging Brexit risk from Q1 has now been updated and split into three new Brexit risks.

Table 1: Strategic Risks Residual Ratings

Residual Rating	Strategic Risks as at end of Q2 2019/20	Strategic Risks as at end of Q1 2019/20
High	3	2
Medium	13	12
Low	3	2
Emerging	0	1
Total	19	17

- 4.4 The three new Brexit risks are:
- ESR0001 – The UK leaves the EU with no deal which will have significant consequences that impact locally on the Council and the Borough.

- ESR0002 –The UK leaves the EU with a negotiated settlement including agreed exit terms, trade framework and transition period with continuation of trade talks – effectively means no change until end of 2020 with a number of options after that.
- ESRR003 – The UK continues to delay departure from the EU

4.5 Three of the strategic risks (on pages 1 to 3 of the SRR) continue to have a High residual risk rating:

- ISR0001 – Budgetary management and control: The council is no longer in receipt of central government revenue support grant. The council's baseline funding position is now reliant on retained business rates and council tax income; and
- ISR0008 – Budgetary management and control: The rating of Risk ISR0008 is the result of the uncertainty of whether the ongoing pressures on the provisions of services will result in further significant budget overspending.
- ESR0001 – The UK leaves the EU with no deal which will have significant consequences that impact locally on the Council and the Borough.

4.6 The 13 Medium risk ratings and residual risk scores, (on pages 3 to 15 of the Register) are unchanged: In most cases, either:

- Actions are being taken by services to develop or enhance the control measures that mitigate the risks. Once implemented, these will have the effect of lowering the impact and likelihood risk scores; or
- Work within the Future Ealing programme is helping to introduce new mitigations to reduce the risks.

In three instances, though the ongoing controls being exercised by the services do not mitigate the residual risk to a below Medium rating, no further cost effective enhancements to controls can be developed. In these circumstances, SLT has previously agreed to tolerate the Medium level risk rating. The three risks are:

- ISR0004 (page 11), death, serious injury or abuse of a child or vulnerable adult in the care of Ealing Council;
- ISR0006 (page 13), persons within the Borough become radicalised and are attracted to recognised terrorist organisations and/or the Borough is affected by terrorist activities; and
- ISR0014 (page 9), a reduction in the supply and lack of availability of affordable housing in the Borough as a result of the implementation of the Welfare Reform Act 2012 and the Housing and Planning Act 2016.

4.7 All Regeneration and Planning strategic risks were reviewed by the directorate in September. This review process included a meeting with the risk team who also undertook a benchmark with some neighbouring authorities. The benchmark identified significant consistencies between the Councils' risk. This work provided useful reassurance on the strategic risks. A similar process is to be undertaken with the other departments within Place and Chief Executives.

5. Financial

- 5.1 A number of risks on the SRR have the potential for significant financial impact and this is articulated within each individual risk description and managed through the control measures which are in place and monitored by the control owners. All financial risks of a material or significant nature such as those set out in this report and appendices are either monitored through the regular Finance monitors to Corporate Board and Cabinet or considered as part of the Budget Strategy.

6. Legal

- 6.1 The Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards 2017 require the council to maintain a robust, adequate and effective system of risk management in the delivery of its core services.

An embedded risk management culture and effective risk management processes support good governance, the council's delivery on its duty of care and successful delivery of the council's objectives

7. Value for money

- 7.1 Good risk management is a key contributor to successful delivery of the council's objectives protecting its assets and resources to deliver value for money

8. Risk management

- 8.1 Good risk management enables the council to optimise its opportunities and minimise the potential for adverse service, financial, legal or reputational outcomes in delivery of its strategic priorities and objectives

9. Community safety

- 9.1 Effective management of risk seeks to protect the council's assets and resources and the local community from harm

10. Links to the 3 Priorities for the Borough

- 10.1 The effective identification, assessment and management of risk is an important foundation to the successful achievement of strategic objectives in terms of managing resources effectively. Strategic risks affect all three priorities of the Long Term Plan meaning that embedded risk management is important to the council.

11. Equalities and community cohesion

- 11.1 No equality impact assessment has been undertaken as the report is for information and does not affect the general duties of the Equality Act 2010.

12. Staffing/workforce and accommodation implications:

- 12.1 None

13. Property and assets

13.1 None

14. Any other implications:

14.1 None

15. Consultation

15.1 Not applicable

16. Timetable for implementation

16.1 Not applicable

17. Appendices

- Appendix A: Q2 Strategic Risk Register (Confidential)
- Appendix B: Q2 Risk Heatmap
- Appendix C: Q2 Risk Matrix Score Definitions

18. Background Information

18.1 None

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received from consultee	Comments appear in paragraph:
Internal				
Ross Brown	Chief Finance Officer (s151 Officer)			Throughout
Cllr Bassam Mahfouz	Portfolio holder – Finance & Leisure		For reference only	

Report History

Decision type:	Urgency item?
For Information	No
Report no.:	Report author and contact for queries: Ewan Taylor – Audit and Risk manager ext. 9991