

<b>Contains confidential or exempt information</b>	<b>Yes – Appendix A and Appendix C pursuant to paragraphs 3 &amp; 5 of Schedule 12A of the Local Government Act 1972.</b>
<b>Subject of report</b>	Risk Management Performance Report – Quarter 2 2018/19
<b>Responsible officer</b>	Ross Brown, Director of Finance Mike Pinder, Head of Audit & Investigations
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<b>Portfolio</b>	Cllr Bassam Mahfouz - Finance & Leisure
<b>For consideration by</b>	Audit Committee
<b>Date to be considered</b>	28 <sup>th</sup> November 2018
<b>Implementation Date if Not Called In</b>	N/A
<b>Affected Wards</b>	All
<b>Keywords/Index</b>	Strategic Risk Management

#### **Reason for report**

This report provides Audit Committee with an update in respect of the review by Corporate Board of strategic risks facing the council as at the end of Q2, 2018/19

### **1. Recommendations**

- 1.1 It is recommended that Audit Committee considers the current Strategic Risk Register (Appendix A) to assure itself that it includes all appropriate strategic risks facing the council and that all necessary and appropriate actions are being taken to safeguard the council's business and reputation.

### **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 Roles and Responsibilities

3.1.1 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.

3.1.2 Corporate Board 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 Corporate Board on 14<sup>th</sup> November 2018.

#### 3.2 Strategic Risk Register (SRR)

3.2.1 The council's strategic risks documented in the SRR are determined by Corporate Board, last reviewed on the 14<sup>th</sup> 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.

3.2.2 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.

3.2.3 The current SRR contains 17 risks. The total number of risks remains the same, during the quarter.

3.2.4 The residual risk ratings are summarised below. There have been no changes to the ratings since the end of Q4 2017/18.

**Table 1: Strategic Risks Residual Ratings**

<b>Residual Rating</b>	<b>Strategic Risks as at end of Q1 2018/19</b>	<b>Strategic Risks as at end of Q4 2017/18</b>
<b>High</b>	2	2
<b>Medium</b>	12	12
<b>Low</b>	2	2
<b>Emerging</b>	1	1
<b>Total</b>	<b>17</b>	<b>17</b>

3.2.5 Five of the strategic risks control measure comments have been updated (page 2,3 ,5,6,8 ,11 and 14 of the SRR), to reflect the current position, however the risk scores are unchanged since the last quarter.

- ISR0008 - Budgetary management and control (page 2 and 3)  
Demographical and government policy changes are causing increasing and unavoidable service demands leading to significant budgetary pressures resulting in significant overspends that consequently need to be addressed by corporate funding.
- ISR0010 - Organisational resilience (page 5 and 6)  
Inability to provide critical council services in the event of a significant disruption
- ISR00012 – Service delivery (page 8)  
Delivery of council services severely disrupted as a result of the failure of, or poor performance by, a key contract provider.
- CHR0002 – Recruitment and Retention (page 11)  
Inability to attract or retain staff with the right skills, experience and capabilities to deliver the council’s vision and Future Ealing outcomes.
- ISR0002 – Environmental impact of policies (page 14)  
The council has not implemented effective policies or strategies to address local issues and conditions that have a long-term detrimental impact on the environment within the Borough eg. air pollution; flooding, carbon footprint.

3.2.6 The residual risk scores and Medium risk ratings of 12 of the remaining 15 strategic risks, (on pages 4 to 21 of the Register) are also 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
- The risks are being addressed as part of the Future Ealing programme.

3.2.7 ESR0001 – In relation to Brexit is currently undergoing a more quantified review following a paper which went to Corporate Board around possible impacts. An update to reflect this will be made in the next (q3) report.

3.2.8 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, Corporate Board has previously agreed to tolerate the Medium level risk rating. The three risks are:

- ISR0004 (page 17), death, serious injury or abuse of a child or vulnerable adult in the care of Ealing Council;
- ISR0006 (page 19), 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 13), 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.

3.2.9 ISR0010 (Inability to provide critical council services in the event of a significant disruption) will remain unchanged with a Medium risk rating, until the ICT enhanced disaster recovery arrangements are fully in place. The new disaster recovery data centre is nearing completion and the indicative timeline for completion of works is July 2019.

#### **4. Financial**

4.1 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.

#### **5. Legal**

5.1 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

#### **6. Value for money**

6.1 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

#### **7. Risk management**

7.1 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

#### **8. Community safety**

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

#### **9. Links to the 6 Priorities for the Borough**

9.1 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 six priorities of the Long Term Plan meaning that embedded risk management is important to the council.

#### **10. Equalities and community cohesion**

10.1 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.

**11. Staffing/workforce and accommodation implications:**

11.1 None

**12. Property and assets**

12.1 None

**13. Any other implications:**

13.1 None

**14. Consultation**

14.1 Not applicable

**15. Timetable for implementation**

15.1 Not applicable

**16. Appendices**

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

**17. Background Information**

17.1 None

**Consultation**

Name of consultee	Post held	Date sent to consultee	Date response received from consultee	Comments appear in paragraph:
<b>Internal</b>				
Ian O'Donnell	Executive Director of Corporate Resources			Throughout
Ross Brown	Director of Finance (Deputy 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	