



**Report for:
INFORMATION**

Item number: 11

Contains Confidential or Exempt Information	Yes – Appendices A and C pursuant to paragraphs 3 & 5 of Schedule 12A of the Local Government Act 1972.
Title	Risk Management Performance Report – Quarter 1 2016/17 and Risk Management Policy & Framework
Responsible officers	Jeremy Welburn, Interim Head of Audit & Investigations, Ross Brown, Interim Director of Finance (Deputy s151 Officer)
Author	Martin Lewis, Risk & Audit Manager – Ext 5980, lewism@ealing.gov.uk
Portfolio	Cllr Yvonne Johnson - Finance, Performance & Customer Services
For Consideration By	Audit Committee
Date to be Considered	29 November 2016
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Strategic Risk Management, Risk Management Policy & Framework

Purpose of Report:

This report provides Audit Committee with an update in respect of the review of risks completed at the end of Q2 2016/17 and with details of the recently updated Risk Management Policy & Framework.

1. Recommendations

1.1 It is recommended that Audit Committee:

- reviews 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; and
- note the updated Risk Management Policy & Framework (Appendix C) which has recently been reviewed and approved by Corporate Board.

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 and includes, for information, details of the updated Risk Management Policy & Framework. No decision is required.

3. Key implications

3.1 Roles and Responsibilities

3.1.1 The Accounts and Audit (Amendment) Regulations 2011 and Public Sector Internal Audit Standards 2013 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 in order 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. The Audit Committee is responsible for considering the effectiveness of the Council's strategic risk management arrangements.

3.2 Strategic Risk Register (SRR)

3.2.1 The Council's SRR details:

- Corporate risks that could impact on the achievement of aims articulated within the Council's Corporate Plan and also its longer term objectives;
- Significant events that could impact upon the infrastructure and the efficient operation of the Council; and
- Risks that cover the full range of principal objectives which are likely to require ongoing control.

3.2.3 Since the last Risk Management report which was presented to Audit Committee in July 2016:

- Two new risks have been added having been escalated from Corporate Resources and Children and Adults directorates respectively. Both risks are concerned with budgetary management and control, the first from a Finance, and the second from a Children's Services perspective respectively. The risks are:
 - CRC0081, concerned with the effectiveness of control over pressures on expenditure by all service lines which results in unfunded overspends requiring corporate funding to address (Appendix A page 1). Controls are being put in place but, until they are established, the residual rating of this risk remains High; and,
 - CAA0042, concerned with the potential budget shortfall caused by an unavoidable rise in demand for children's social care (Appendix A page 3). This risk mirrors a similar strategic risk concerned with adult social care.
- Amendments have been made to the wordings of several other risks and

control measures to ensure they are up to date.

3.2.4 The current SRR, therefore, contains 18 strategic risks, the residual risk assessments of which are summarised as follows:

Residual Risk Rating	B/f from Q1 2016/17	Risks Added / Reassessed	Risks Withdrawn/ Reassessed	Total as at end of Q2 2016/17
High Risks	-	1	-	1
Medium Risks	15	1	-	16
Low Risks	1	-	-	1
Total	16	2	-	18

3.2.5 In addition to the current strategic risks, Directorates monitor emerging risks that have the potential to be included in a future Strategic Risk Register. The uncertainty that still remains of the potential impacts on the Borough of the Brexit vote is one such emerging risk. Two impacts in particular, which are being seen nationally, may have consequences for the Borough and are worth noting:

- The fall in the value of the Pound against the Euro and the US Dollar:
 - is reportedly working its way through to higher prices which may have a future impact on council expenditure; but,
 - has had positive consequence for export companies causing the value of shares to rise. This will have positive impacts on the value of council, and particularly pension fund, investments.
- There has been a reported increase nationally in the amount of hate crime since the Brexit vote taking the form of not only physical and verbal abuse but also an increase in racial graffiti. Given its diversity of nationalities, it is unlikely that the Borough will be immune to such criminal activity.

3.3 Directorate Risk Registers

3.3.1 Following internal reviews of all Directorate risk registers, the number of risks recorded has reduced from 331 to 294. The following is a summary of the current risks:

Risk Rating	Gross (before controls)	Residual (after controls)	
		Q2	Changes since Q1
High Risks	136	-	-
Medium Risks	143	168	- 34
Low Risks	15	126	- 3

3.4 Risk Management Policy & Framework

3.4.1 The council's existing Risk Management Policy, which took effect from May 2014, has been refreshed and developed in order to incorporate further best practices recognised by the Institute of Risk Management and other good practices being applied at other London Boroughs.

3.4.2 The updated Risk Management Policy & Framework integrates the best practice 'Three Lines of Defence' risk management model which clarifies that:

- responsibility and accountability for managing risks rests primarily with managers and staff (the first line of defence);
- the role of the risk management function (the second line of defence) is to advise, support and monitor the management of risk by managers and staff; and
- independent assurance is provided by Internal Audit (the third line of defence).

3.4.3 The key differences between the previous Risk Management Policy and the updated Risk Management Policy & Framework are:

- the updated Framework is based on an improved Risk Policy Statement which clearly sets out the commitment of the council and Corporate Board to effective risk management that is embedded in the culture, behaviours and processes of the council (Appendix C page 2);
- a new top-down approach is taken to creating the Strategic Risk Register (Appendix C page 6) with strategic risks, those that might significantly impact the achievement of corporate objectives both in terms of delivery of council services and external factors affecting the Borough as a whole, being determined by the members of Corporate Board rather than being escalated from individual directorates, so providing a more wider view of risks;
- the significance of each risk is scored on a 5 x 5 risk matrix (previously 4 x 4) with the overall score weighted towards Impact (Appendix C page 7) and with improved scoring definitions for Impacts and Likelihoods (Appendix C page 22); and
- risks should be managed and controlled in ways that reduce their residual (after control) significance to overall scores which are Low. Further risk-reducing control measures are required to be implemented for risks with a High or Medium residual score unless, for Medium residual risks, the implementation of further measures would not be cost effective (Appendix C page 8).

4. Financial

4.1 There are no direct financial impacts of implementing the updated Risk Management Policy & Framework, though there are possible financial implications arising from the management of a number of existing risks and from implementing actions that are identified as being needed to enhance control measures. These costs are managed through the Service Directorate budgets and monitoring processes.

5. Legal

5.1 The Accounts and Audit (Amendment) Regulations 2011 and the Public Sector Internal Audit Standards (2013) require the Council to maintain a robust, adequate and effective system of risk management in the delivery of its core services. Operation of an effective risk management process is an important element in the Council's corporate governance responsibilities.

6. Value for money

6.1 Effective risk and opportunity management contributes to the effectiveness of the Council to deliver its plans and objectives.

7. Risk management

- 7.1 Ealing Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Ealing Council's functions and which includes arrangements for the management of risk.

8. Community safety

- 8.1 None

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 the strategic objectives in terms of managing resources effectively. The issues outlined in this report have therefore a focus on all six priorities.

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 No Changes

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 The roll-out of the updated Risk Management Policy & Framework has commenced with changes having been made to the JCAD Risk Management system to accommodate a 5 x 5 Impact and Likelihood risk matrix. Between November and January, a series of briefing sessions are being held with Risk Owners who are being asked, by the end of January 2017, to review and update the scoring of all currently recorded risks.
- 15.2 The Q3 Strategic Risk Register, to be reviewed by Corporate Board in January 2017, will be created applying the "top-down" approach.

16. Appendices

- Appendix A: Strategic Risk Register (Confidential)
- Appendix B: Q1 Risk Heatmap
- Appendix C: Risk Management Policy & Framework

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:
Internal				
Ian O'Donnell	Executive Director of Corporate Resources	15/11/16	15/11/16	Throughout
Ross Brown	Interim Director of Finance (Deputy s151 Officer)	14/11/2016	14/11/2016	Throughout
Cllr Yvonne Johnson	Portfolio holder – Finance, Performance & Customer Services			

Report History

Decision type:	Urgency item?
For Information	No
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