

Report for: INFORMATION
Item number:

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 1 2017/18
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Portfolio	Cllr Yvonne Johnson - Finance, Performance & Customer Services
For consideration by	Audit Committee
Date to be considered	27 July 2017
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 Corporate Board of strategic risks facing the Council as at the end of Q1, 2017/18

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 28 June 2017

3.2 Strategic Risk Register (SRR)

3.2.1 The Council's strategic risks documented in the SRR are determined by Corporate Board and comprise 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 residual risk ratings of which are summarised below. There have been no changes to the ratings since the end of Q4:

Table 1: Strategic Risks Residual Ratings

Residual Rating	Strategic Risks as at end of Q1 2017/18	Strategic Risks as at end of Q4 2016/17
High	2	2
Medium	11	11
Low	3	3
Emerging	1	1
Total	17	17

3.2.4 Following committee's request at the May meeting, to provide detail on changes to risk scores. It is confirmed that there were no changes to scores between quarter 4 and the quarter 1 risk registers. Work has, however, been ongoing and a summary of the changes to mitigations and controls is summarised below.

3.2.5 Two of the strategic risks (on pages 1 to 3 of the SRR), whose risk scores are unchanged since the last quarter, continue to have a High residual risk rating:

- ISR0001: Reduction in central government grant and changes to Business Rates, including the 2017 revaluation, appeals changes and future retention plans, results in a significant reduction in the amount of Grant and Business Rate income receivable that has not been planned for. The rating of this risk is the result of the uncertainty over the amount of Business rates that will become unrecoverable and whether this will be more than has been planned for. More information on the timescales for the business rate retention and details of central government budgetary announcements re business rate relief schemes; and
- ISR0008: Demographical and government policy changes are causing increasing and unavoidable service demands which can lead to severe budgetary pressures and significant overspends which consequently need to be addressed by corporate funding. The rating of this risk is the result of the uncertainty of whether the ongoing pressures on the provisions of services will result in further significant budget overspending in 2017/18. The regular monitoring of financial performance will enable Corporate Board to assess likely year end outcomes and determine if further actions are needed to address any particular pressure points.

3.2.6 The residual risk scores and Medium risk ratings of 11 of the remaining 15 strategic risks, (on pages 4 to 18 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 by the Future Ealing programme.

3.2.7 In three instances, though the ongoing controls being exercised by the services do not mitigate the residual risk to a below Medium rating, it is considered that no further cost effective enhancements to controls can be developed. The three risks are:

- ISR0004 (page 9), death, serious injury or abuse of a child or vulnerable adult in the care of Ealing Council;
- ISR0006 (page 10), 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 18), 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.

3.2.8 In the quarter, significant progress was made to:

- enhance IT security in response to the recent Ransomware events that affected the NHS and various other organisations (see page 6 of the SRR);
- enhance ICT disaster recovery arrangements by moving to a resilient Cloud infrastructure, though the completion date for this has moved back to August, from June, as a consequence of the General Election (see page 7 of the SRR);
- remedy the overloading issues in March/April that affected power supply within Perceval House (see page 7 of the SRR).

3.2.9 Until the ICT enhanced disaster recovery arrangements are in place and the overloading issues are fully remedied, the risk scores and Medium risk rating of

ISR0010 (Inability to provide critical council services in the event of a significant disruption) remain unchanged.

3.2.10 At its last meeting, Audit Committee raised a query in respect of the risk of Brexit (see page 20 of the SRR). Whilst acknowledging uncertainty in respect of all outcomes, they asked whether analysis was being undertaken on any changes to items such as EU funding or schools places:

- The Finance Director has reviewed EU grants and confirmed minimal grants have been received from the EU for revenue projects (one in 2016/17 and none in 2017/18) any impact would be minimal.
- The Assistant Director, Schools has confirmed that though there has been a decline in applications for school places as a result of Brexit, the decline in numbers have had little effect on the number of additional forms of entry that are needed.

The need to continue to review and plan for areas and potential changes is acknowledge and management will be reminded to consider and update through the risk management process.

4. Financial

4.1 There are a number of risks which have possible financial implications. These are articulated in JCAD and managed through the Service Directorate budgets and monitoring processes.

5. Legal

5.1 The Accounts and Audit Regulations 2015 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 and embedded risk management framework 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 long term priorities and objectives.

7. Risk management

7.1 Failure to exercise effective management of strategic risk could have significant operational, financial, legal and reputational consequences for the Council and hinder the delivery of its strategic priorities and objectives.

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 strategic objectives in terms of managing resources effectively. Strategic risks therefore affect all six priorities of

the Long Term Plan.

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: Q1 Strategic Risk Register (Confidential)
- Appendix B: Q1 Risk Heatmap

17. Background Information

17.1 None

Consultation

Name of Consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Ian O'Donnell	Executive Director of Corporate Resources	11.07.17	12.07.17	Throughout
Ross Brown	Director of Finance	11.07.17	11.07.17	Throughout
Cllr Yvonne Johnson	Portfolio Holder – Finance, Performance & Customer Services	13.07.17	N/a	

Report History

Decision type: For information	Urgency item? No		
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no:	Report author and contact for queries: Mike Pinder, Head of Audit & Investigations, ext 5792		