

London Borough of Hammersmith & Fulham

AUDIT PENSIONS AND STANDARDS COMMITTEE

12 March 2019



RISK MANAGEMENT

Report of the Director for Audit, Risk, Fraud and Insurance – David Hughes

Open Report

Classification: For review and comment

Key Decision: No

Consultation:

All service departments were consulted as part of the quarterly review.

Wards Affected:

None

Accountable Director: David Hughes, Director for Audit, Risk, Fraud and Insurance

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1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to provide members of the Audit, Pensions and Standards Committee with an update on risk management within the Authority, and present them with the Corporate Risk Register for consideration.

2. RECOMMENDATIONS

- 2.1. The Members of the Audit, Pensions and Standards Committee are requested to: -
- a) note the contents of this report;
 - b) review and consider the contents of the Corporate Risk Register.

3. REASONS FOR DECISION

- 3.1. The Accounts and Audit Regulations 2015 states that the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be entirely eliminated but proportionate and targeted action can be taken to reduce risks to an acceptable level. It is essential that managers and their teams manage risks to:

- achieve council priorities to put Residents first – Doing things with residents not to them;
- ensure robust financial management – Being Ruthlessly Financially Efficient;
- protect staff and residents – Creating a compassionate council;
- protect valuable assets – Taking pride in Hammersmith and Fulham; and,
- maintain and promote the council's reputation – Building shared prosperity.

4. PROPOSAL AND ISSUES

- 4.1. The Council's approach to risk management requires Directors, managers and staff, through their Senior Management Teams, to:
- identify risks;
 - assess the risk;
 - agree and take action to manage the risk; and, monitor, review and escalate risks.
- 4.2. This report provides the Committee with an update on the Council's 24 live corporate risks following their review by the Council's Strategic Leadership Team in February. The full suite of Corporate Risks is listed in **Appendix 1**.
- 4.3. Risks are represented in the following Heat Maps, Chart 1 illustrates the previous position for Quarter 2 for 2018/2019 and Chart 2 illustrates the Quarter 3 position for 2018/2019.

OVERVIEW RISK HEAT MAPS

Chart 1:

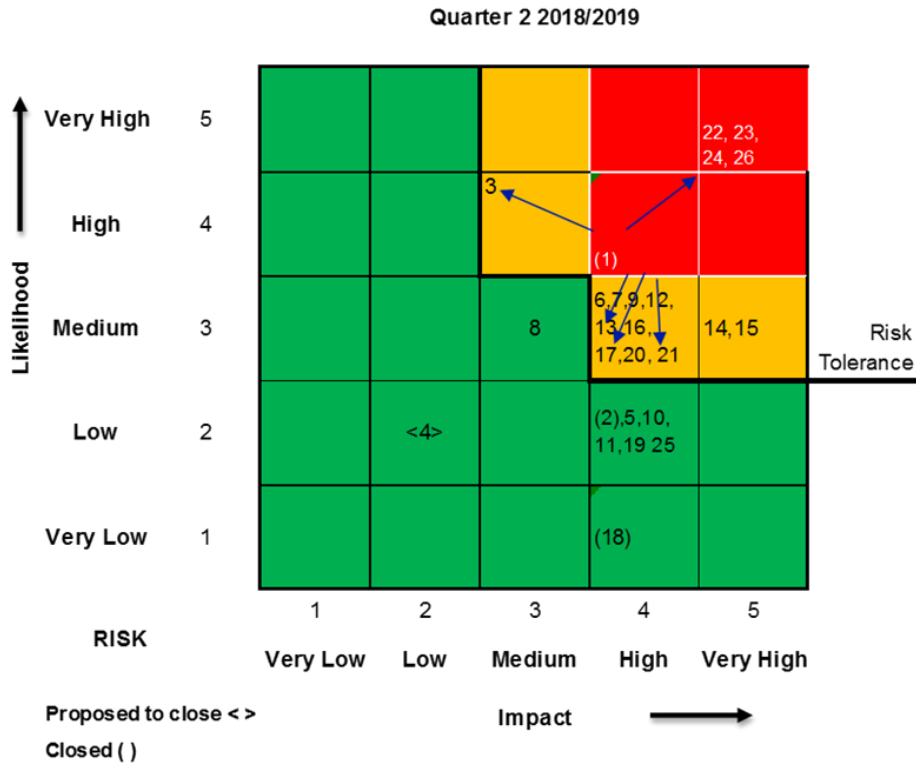
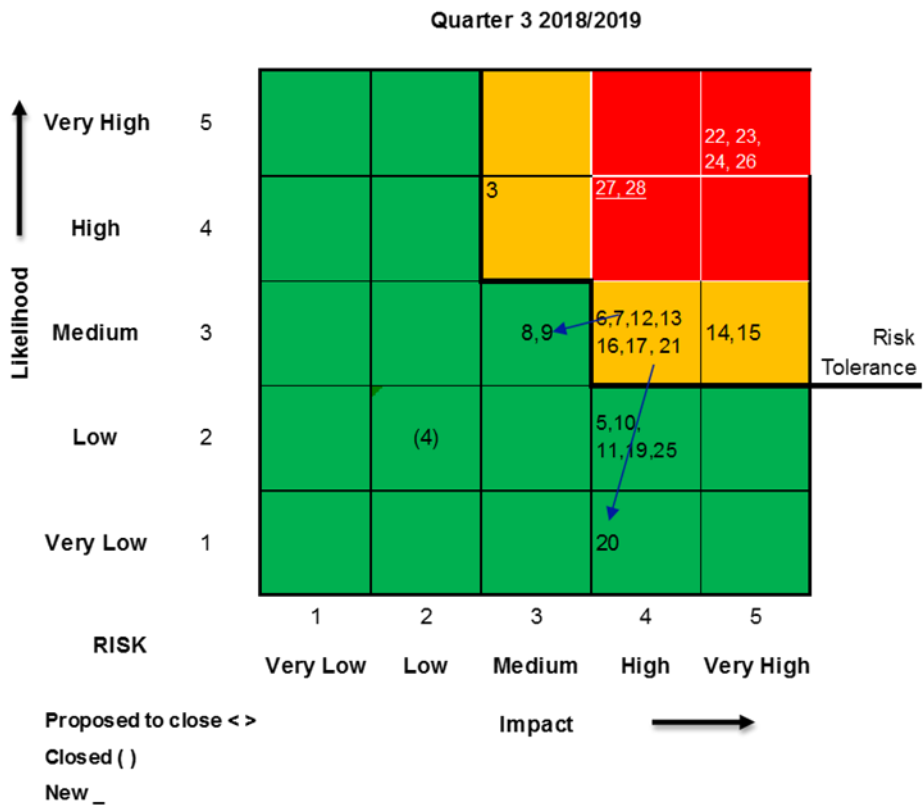


Chart 2:



Summary

- 4.4. There are currently 24 live corporate risks, including two new high risks Digital Accessibility, meeting minimum accessibility standards on-line (Risk 27) and Management Information – Children’s Services from Mosaic/Business Objects (Risk 28)
- 4.5. Movement from Quarter 2 to Quarter 3 is as summarised as follows:
- 4 High Risks present at Q2 up to 6 in Q3 (2 new risks added)
 - 12 Medium Risks present at Q2 down to 10 in Q2
 - 7 Low Risks present at Q2 up to 8 from Q1 - Q2

Risk Narrative

- 4.6. Heat Maps, (see Charts 1 and 2) show the direction of travel for all corporate risks, which are expected, over time and through the implementation of appropriate mitigating actions, to come within risk appetite (or tolerance).
- 4.7. It is also proposed to close (Risk 20) Procurement of replacement HR, Payroll and Finance Services – as this programme has essentially been delivered and the system is bedding down.
- 4.8. All Corporate risks continue to be reviewed and in this period, were subject to more stringent internal Officer challenge in accordance with the Being Ruthlessly Financially Efficient Priority, the supporting Action Plan, and updated where appropriate. Hence some further downward movement (trend) from Q2 to Q3. This, along with a range of management actions implemented, has resulted in an improved outlook from Q2 to Q3 for 2 Risks (Risks 9 and 20).
- 4.9. Additional mitigations are also expected to influence positive movement in the next period for:
- 4.10. **Risk 3: Commercial & Procurement.** Work is concluding on the review and update the Council’s Corporate Procurement Strategy, the Forward Plan of Procurement and cross-service contracts and commercial training. Additional activity undertaken includes, continuing to improve the content on the Council’s Contracts Register including recording of declarations of interests on the CapitalEsourcing system and Supply Chain Resilience in preparation of a ‘No Deal Brexit’. Improvements in the Council’s contract register will enable the Council to have a forward programme of commissioning and procurement activity (which the Board and SLT can ensure happens on a timely basis) so that commissioning and procurement resource is in place to deliver these activities rather than having contracts being extended or rolled on with no opportunity taken to reshape requirements and drive out savings. Training for the Council’s Contract Managers will take place during March in accordance with the Council’s Being Ruthlessly Financially Efficient Action Plan.
- 4.11. **Risk 6: Information Management, digital continuity and regulations, legislation and compliance.** The Statutory Officers Group considered a paper in late 2018 setting out performance and inappropriate disclosures in respect of handling personal data for LBHF residents and agreed to a proposal that a joint programme be trialled in Children’s Services which would involve the Children’s Services staff,

management, Information Strategy and Internal Audit/Risk Management. The activities and timescales for the programme of work, would then be used as a base for carrying out similar programmes in other Council directorates.

An additional communication was sent to all staff by the Council's Senior Information Management Officer reminding them of the simple rules to help protect our residents, visitors, businesses and staff data.

4.12. **Risk 11: Decision making and Corporate Governance.** Three briefing sessions for report writers across the Council on decision-making have been delivered by the Governance Team. Additional work to review the Council's procurement regulations (Contract Standing Orders) is nearing completion, with input from the Council's Legal Services Team, to ensure they remain fit for purpose. The Council has also drafted a Local Code of Corporate Governance and is reviewing this and the Code of Conduct for Officers with Corporate, Human Resources and Internal Audit colleagues.

4.13. **Risk 26: The likelihood of a 'No-deal Brexit' Risk remains the same.** Weekly reporting on key areas of concern has been initiated on request of the London Resilience Group. These include indicators (trends) on the following areas;

- Vacancy rates of Social Care and Children's Social Workers;
- Vacancy rates within the Waste Management sector;
- Rough Sleepers;
- Homelessness; and,
- Extraordinary costs that arise from Brexit including costs arising from the Supply Chain.

Additional to the above each Service has been requested to monitor and note council activity that may increase leading into the Brexit period. All services have been asked to enter into conversations with their critical suppliers to ascertain their preparedness. The Council's Service Resilience Group has completed reviews of exiting Service Continuity Plans and completed Brexit Plan appendices to the main plan. Liaison with the Metropolitan Police has commenced on a fortnightly basis with the Public Disorder Division. The Business Continuity Manager continues to actively monitor the situation.

4.14. Essentially movement continues to be in a positive (risk is reducing) direction and, as confirmed at the last Audit, Pensions and Standards Committee meeting, a risk narrative of the principal movements on risks is noted for assistance below:

Increase in risk scores in Chart 2:

4.15. There is some increase to risk where further mitigations are being applied.

4.16. **Risk 27: Digital Accessibility.** The EU Web Accessibility Directive is a radical overhaul of the structure and content of public bodies websites and mobile apps that will transform the way 13 million disabled people in Britain access the Internet. It requires 'that public sector bodies take the necessary measures to make their websites and mobile applications more accessible by making them perceivable, operable, understandable and robust.'

- 4.17. Public sector websites and applications will have to meet minimum accessibility standards. Just as all government buildings must legally be accessible to all who wish to access them, so too must their digital gateways.
- 4.18. **Risk 28: Mosaic/Business Objects.** The risk to which the Council is exposed to is the failure of the Management Information reporting systems for Children's Services Social Care. The management reporting system is a part of a management control system that provides business information. This information can be in the form of reports and/or statements. The system is designed to assist members of the management team and staff by providing timely pertinent information.
- Reduced Risks in Quarter 3:**
- 4.19. This, along with a range of management actions implemented, has resulted in an improved outlook from Q2 to Q3 for 2 Risks (Risks 9 and 20).
- 4.20. **Risk 9: Partnerships and major contracts.** The Council has agreed to terminate contracts for outsourced Facilities Management and Housing Repairs and Maintenance Services. Alternate service provision is in place, ensuring that continuity and quality of service to residents is maintained, whilst proposals are being developed to develop some direct in-house services.
- 4.21. **Risk 20:** Procurement of replacement HR, Payroll and Finance Services. The programme to procure a replacement is complete and the new Hampshire Managed Service is bedding down.

5. CONSULTATION

- 5.1. Consultation has taken place with the Strategic Leadership Team, Service Department Risk Representatives and Subject Matter Experts in Business Continuity, Insurances, Health and Safety, Commercial and Procurement, Internal Audit and Information Management.

6. EQUALITY IMPLICATIONS

- 6.1. There are no direct Equality implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 6.2. Equality implications verified by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

7. LEGAL IMPLICATIONS

- 7.1. There are no direct Legal implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 7.2. Legal implications verified by: Rhian Davies, Assistant Director, Legal and Democratic Services, telephone 07827 663794

8. FINANCIAL IMPLICATIONS

- 8.1. There are no direct Finance implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 8.2. Financial implications verified by: Emily Hill, Assistant Director, Corporate Finance, telephone 020 8753 3145.

9. IMPLICATIONS FOR BUSINESS

- 9.1. There are no direct implications for business associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 9.2. Business implications verified by: Albena Karameros, Growth and Place, telephone 07739 316 957

10. COMMERCIAL IMPLICATIONS

- 10.1. There are no direct procurement implications for business associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 10.2. Commercial & Procurement will work closely with departments to stabilise the risks associated with procurement exercises. Moreover, the team will develop and monitor a Risk Register and Issue Log for each high-profile procurement exercises such as Repairs & Maintenance and Facilities Management.
- 10.3. Additional activity includes the review of the Council's Contracts Standing Orders and Contracts Register, Business Resilience training for Commissioners and work to ensure that the Council's Contractors are compliant with the General Data Protection Regulations.
- 10.4. Commercial implications verified by: Andra Ulianov, Procurement Consultant, telephone 07776672876

11. IT IMPLICATIONS

- 11.1. There are no direct implications for Information Technology associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 11.2. IT implications verified by:

12. OTHER IMPLICATION PARAGRAPHS

- 12.1. A list of Corporate Risks is required in the narrative of the Council's Statement of Accounts. Risk Management is a statutory responsibility under the Accounts and Audit Regulations 2015. A relevant authority, the Council, must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.

12.2. *Implications completed by Michael Sloniowski, Risk Manager, telephone 020 8753 2587.*

13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name and contact details of responsible officer	Department/ Location
	Risk registers	Michael Sloniowski, Risk Manager, telephone 020 8753 2587	Internal Audit, Risk, Fraud and Insurance

LIST OF APPENDICES
Appendix 1, List of Corporate risks

Appendix 1, List of Corporate risks at Q3 2018/19

Priority	Risk	No.	Likelihood	Impact	Likelihood	Impact	Movement	Exposure	Officer
			Q2 18/19	Q2 18/19	Q3 18/19	Q3 18/19			
Being ruthlessly financially efficient	Commercial Contract Management and Procurement risks, rules, outcomes social value, management.	3	3	4	3	4	Stable. There are a significant number of procurement exercises which will be required in order to deliver both the replacement Repairs and Maintenance contractors.	M	LR
Being ruthlessly financially efficient	Public Health funding reduction limiting investment in other departments and priorities.	4					Closed	L	LR
Being ruthlessly financially efficient	Business resilience risks, systems, processes, resources, IT and accommodation moves.	5	2	4	2*	4	Stable (All Council Plans Refreshed in Aug 18 have been reviewed in light of Brexit) * at risk of increasing if a bad Brexit or No deal is reached in Q4	L	SL
Being ruthlessly financially efficient	Information management and digital continuity, regulations, legislation and compliance.	6	3	4	3	4	Stable (Additional mitigations include the GDPR review of Contracts and ensuring PSN compliance following accreditation)	M	VB
Creating a compassionate council	Managing statutory duties, health and safety, equalities, human rights, duty of care regulations, highways.	7	3*	4	3*	4	Stable * at risk of increasing if a bad Brexit or No deal is reached in Q3	M	SL
Creating a compassionate council	Standards and delivery of care, protection of children and adults.	8	3	3	3	3	Stable	L	LR/SM
Creating a compassionate council	Failure of partnerships and major contracts (The Link, 3BM, Shared Service, Commercial Providers, Family Support Service)	9	3	4	3	3	Improved with managed ending of FM and Housing Repairs and Maintenance Contracts.	L	LR
Creating a compassionate council	Increase in complexity of working with Health partners.	10	2	4	2	4	Stable	L	LR
All Council Priorities	Decision making and maintaining reputation and service standards. Good Governance, conduct, external inspections.	11	2	4	2	4	Stable. Decision Making Training completed, Positive Ofsted Outcomes - quality of support for care leavers, Complaints and Ombudsman's Review, Programme Management, Review of Contract Standing Orders and Code of Conduct	L	HJ/RD
Being ruthlessly financially efficient	Failure to identify and address internal and external fraud.	12	3	4	3	4	Stable, Policies reviewed and approved at Audit Pension and Standards Committee.	M	HJ/DH
Being ruthlessly financially efficient	Managed Services (Existing Human Resources and Financial Transactional Service)	13	3	4	3	4	Stable as contract ends and the new IBC Managed Service is introduced.	M	MG
Doing things with, not to residents	Compliance with the statutory duties to undertake inspection regimes covering Management of Asbestos, Electrical Testing, Fire Risk, Plant and Equipment, Water/Legionella.	14	3	5	3	5	Stable	M	SL/JR/HJ
Doing things with, not to residents	Co-ordination and response to calls on the Council for Mutual Aid in a crisis	15	3	5	3	5	Stable	M	SL
All Council Priorities	Change Readiness e.g. Agile Working, TechTonic, New systems.	16	3	4	3	4	Stable	M	MG
All Council Priorities	Challenges in Recruitment and retention.	17	3	4	3	4	Stable - People Strategy to cover longer-term approach to the recruitment and retention of staff, including creating attractive workplaces, Agile Working, and developing our own. Agency Reduction programme and improvement of recruitment process, employee experience within the People Strategy	M	MG
Doing things with, not to residents	Coroner's Office (The Council Acts as a Lead for Services to other Local Authorities, West London Coroner's Service).	19	2	4	2	4	Stable (Additional mitigating measures being applied)	L	RD

Appendix 1, List of Corporate risks

Priority	Risk	No.	Likelihood	Impact	Likelihood	Impact	Movement	Exposure	Officer
			Q2 18/19	Q2 18/19	Q3 18/19	Q3 18/19			
Being ruthlessly financially efficient	Procurement of replacement HR, Payroll and Finance Services	20	3	4	1	4	Propose to Close, delivered.	L	MG
Doing things with, not to residents	King Street Regeneration Programme	21	3	4	3	4	Stable - A Number of Cabinet Reports have provided approvals at various stages the project development - Business case approval - Planning application for scheme submitted Apr 2018 - WKSR programme board	M	JR
Creating a compassionate council	Children's services placements. 50 child increase in the number of looked after children in the last 3 years creates budget pressures as the budget is not based on head count.	22	5	4	5	4	Stable risk assessed in Corporate Revenue Monitoring 6 report. As with other London Boroughs, we are seeing a rise in demand from adolescents at risk due to knife crime, child sexual exploitation and children being used for drug trafficking (County lines). Work continues to ensure that the forecast is robust and that young people are placed in the most appropriate placement for their need.	H	SM
Creating a compassionate council	High needs budget pressure in the Direct school block.	23	5	4	5	4	As above (R22) Stable risk assessed in Corporate Revenue Monitoring 6 report. A full system review has been undertaken to reconcile activity, funding, and expenditure. A project team and governance was put in place to identify opportunities and work streams to recover the financial position on the High Needs Block for the Local Authority and to support Special Schools with their financial planning and efficiency.	H	SM
Being ruthlessly financially efficient	Financial Management in year budget 2018/2019 and Medium-Term Planning.	24	5	4	5	4	Action Plans have been produced by Departments to mitigate the overspends. The Being Ruthlessly Financially Efficient Officer Working Group is established and the Action Plan Objectives updated.	H	HJ
Being ruthlessly financially efficient	Adult Social Care balanced budget pressure in 2018/2019 and over the medium term.	25	2	4	2	4	Stable, pressures are mainly as a result of the full year implications of increases in care packages due to the greater acuity of need in the service from 2017/18.	L	LR
All Council Priorities	Impact of a 'no-deal' Brexit (Workforce, Housing, Contracts, Residents, Finances)	26	5	4	5	4	Stable risk. The potential for Parliament to reject the deal remains allied to limited contingency planning guidance from DexEU.	H	SLT
Doing things with not to residents	Digital Accessibility, public sector websites and apps will have to meet minimum accessibility standards. Just as all government buildings must legally be accessible to all who wish to access them, so too must their digital gateways.	27			4	4	New Risk Proposed by the AD Communications	H	MG
All Council Priorities	Failure of the Management Information reporting systems for CHS	28			4	4	New Risk Proposed by the AD Public Services Reform	H	LR/ SM