

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 15/03/2022

Subject: Risk Management Highlight Report

Report of: Director of Audit, Risk, Fraud and Insurance

SUMMARY

The purpose of this report is to provide members of the Audit Committee with an update on risk management across the Council.

RECOMMENDATION

1. For the Committee to review, note and comment on the report.
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Wards Affected: None

H&F Values	Summary of how this report aligns to the H&F Values
<ul style="list-style-type: none">• Building shared prosperity	<i>Good risk management helps to: maintain and promote the Council's reputation;</i>
<ul style="list-style-type: none">• Creating a compassionate council	<i>Is an enabling tool to help protect residents and staff including some of the most vulnerable in society;</i>
<ul style="list-style-type: none">• Doing things with local residents, not to them	<i>Place people, businesses and the wider community at the heart of everything we do;</i>
<ul style="list-style-type: none">• Being ruthlessly financially efficient	<i>Ensure robust financial and information management and supports internal control, opportunity and innovation;</i>
<ul style="list-style-type: none">• Taking pride in H&F	<i>Protect valuable assets and the built and natural environment.</i>
<ul style="list-style-type: none">• Rising to the challenge of the climate and ecological emergency	<i>Enabling an approach to climate-sensitive decision making</i>

Financial Impact

The current and future context for local government represents a significant risk to the council with the ongoing challenge of delivering services and increased demand with reduced funding levels. This is further impacted by the coronavirus pandemic and wider economic factors leading to rising costs and inflation. This has seen the council incur additional expenditure whilst at the same time seeing reductions in the level of resources available through a combination of lower income levels and inherent pressures that existed prior to Covid-19 which must also be managed.

There are no specific financial implications arising from this report. Services are expected to manage their risks within current budgets. Where additional funds are required to mitigate or manage risks, separate decisions reports will be required for the approval of unbudgeted expenditure. The council holds a corporate contingency budget and adequate levels of reserves to enable it to manage unforeseen costs.

A standing corporate risk, Financial Management of in-year budget and Medium-Term Planning, identifies the risks to balancing the budget in response to continued government funding and demand pressures faced by the Council and the sector more generally and is assessed as high risk. The in-year position is reported in the Corporate Revenue Monitor to Cabinet and includes financial risks. Other corporate risks also identify financial pressures arising from demand and complexity of service provision which need to be managed.

Comments verified by Emily Hill, Director of Finance, 4 March 2022

Legal implications

There are no particular legal implications arising from this report.

Comments verified by Rhian Davies, Director of Resources, 4 March 2022

Background Papers Used in Preparing This Report

Risk Registers, reports to Children and Education Policy and Accountability Committee; Health Inclusion and Social Care Policy and Accountability Committee; Finance, Commercial Revenue and Contracts Policy and Accountability Committee.

DETAILED ANALYSIS

Background

1. To achieve the ambitions, outcomes and priorities set out in our Business Plan, it is essential that we continue to understand, manage and communicate the diverse range of risks and challenges that could threaten the organisation and vital services. Risks originate from a variety of sources, many of which are out of our direct control for example global events such as the coronavirus pandemic, the Russian invasion of Ukraine, Brexit, economic or market shocks, austerity or from climate change.

More localised incidents can impact on residents, individuals, services and infrastructure.

2. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be eliminated entirely but proportionate and targeted action can be taken to reduce risks to an acceptable level. Furthermore, the work of the Council's Policy and Accountability Committees is acknowledged as a source of robust and additional assurance for the management of risk across its services.
3. Effective governance and management of risks are particularly significant as funding for local government has diminished authorities' objectives and are becoming increasingly fundamental and relate, for instance, to continuing to meet statutory service obligations. Arrangements must therefore be effective in a riskier, more time-pressured and less well-resourced context.
4. Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Risk management is the application of Council strategies, governance, policies and processes to identify and manage risks that are unacceptable to the Council. Managing risk processes effectively enables the Council to safeguard against potential threats and take advantage of potential opportunities to improve services whilst continuing to provide better value for money for residents, visitors, local businesses and service users.
5. The Council is accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however as financial challenges continue the Council will need to take carefully considered risks to develop new and innovative ways to deliver services, support communities and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.
6. As part of its governance arrangements, the Council's approach to risk management requires Directors, managers and staff, through their departmental Senior Management Teams, to:
 - identify risks;
 - assess the risk;
 - agree and take action to manage the risk; and
 - monitor, review and escalate risks.
7. The Council has robust risk management arrangements in place which feed into the Corporate Risk Register, which is set out in Appendix 1. This register contains the most significant cross-cutting risks that could impact on the outcomes that are set out in the Council's priorities. These risks can be internal or external facing.
8. Internal risks relate to the organisation itself and cover areas such as programmes, workforce, business continuity, safety or technology. External risks are those that can affect the local area, its people, communities, businesses and infrastructure where the Council often has a role, in partnership, to mitigate them.

9. Risks relating to the coronavirus pandemic remain under close review and the ongoing efforts to increase vaccination rates as well as promoting and encouraging uptake of the vaccine booster.
10. Officers are in the process of reviewing and assessing the impact of and implications for residents and the Council from the events unfolding in Ukraine. This includes ensuring that risks relating to the supply chain/contracts and cyber security are being appropriately and robustly mitigated and where support is needed for those residents with families in Ukraine and neighbouring countries.
11. This report provides the Committee with an updated Corporate Risk Register, presenting a suite of risks as reviewed by the Council's Strategic Leadership Team (SLT).

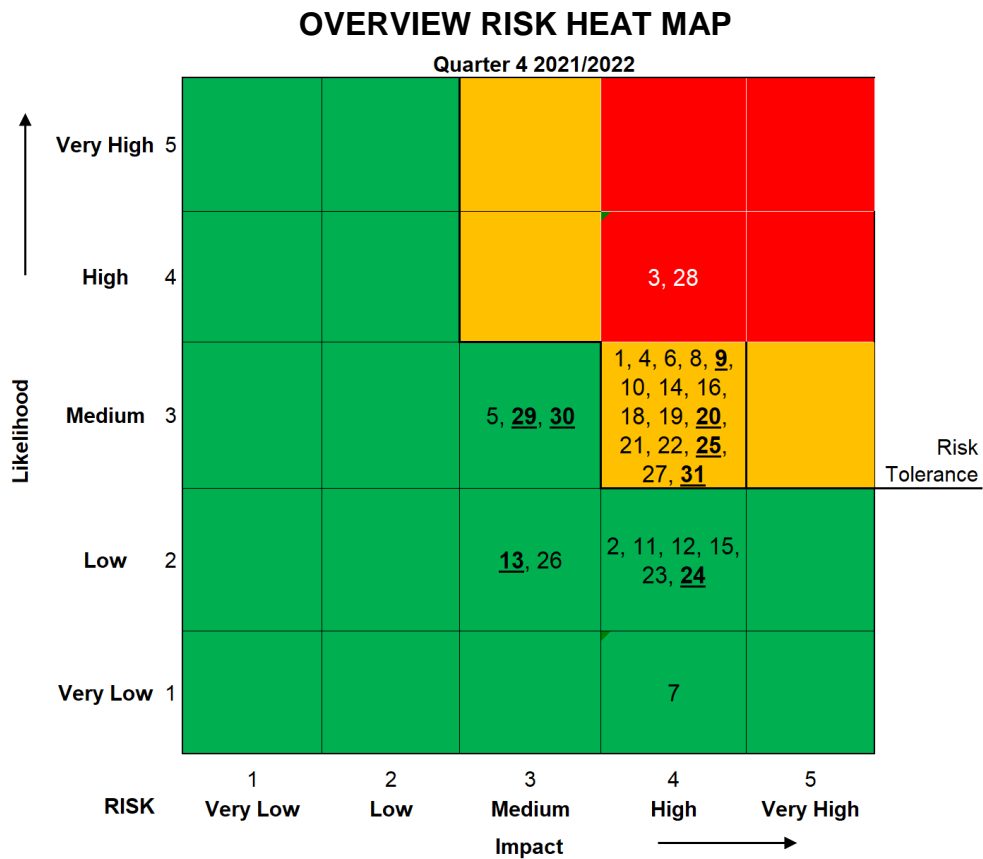
Changes since December

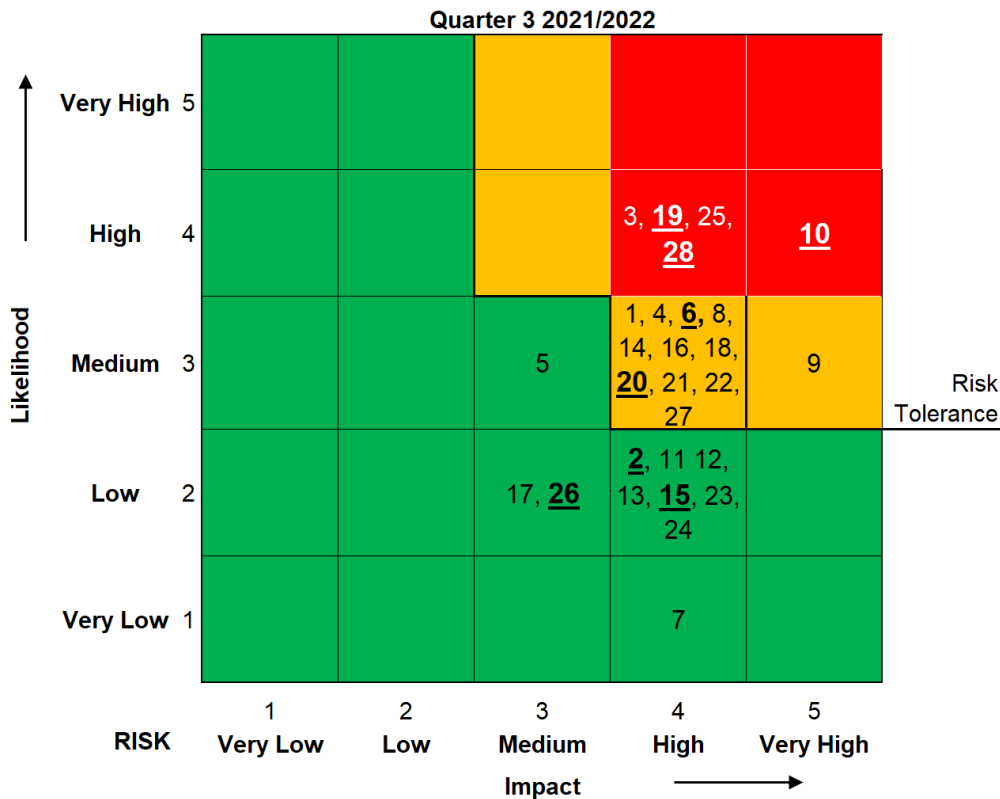
12. At its meeting on 2 March 2022, SLT Assurance reviewed the Corporate Risk Register and agreed a number of changes which are reflected in the updated Risk Register provided in Appendix 1.
13. No risks have had their rating increased since December. However, as noted above, officers are reviewing and assessing the impact of developments in Ukraine to consider where further entries to the Risk Register may be required. These will be reported to the Committee at the next meeting.
14. Four risk have had their rating reduced since December:
 - Risk 9 due to the mobilisation of reserve contractor, robust contract management arrangements continuing and the scoping and procurement of phase 1 capital works (including compliance works) being in progress.
 - Risk 13 due to the ongoing vaccine rollout and fall in Covid deaths as well as the reduction in the UK terror threat level.
 - Risk 20 due to the robust mitigation and tight financial controls in place which have contributed to the improved position as reflected in the monitoring reports and the plans in place to reduce the remaining (reduced) in-year overspend. However, it is recognised uncertainties remain around future funding and changes in national arrangements.
 - Risk 25 due to the ongoing vaccine rollout including close working with the NHS to focus on vaccinating the most vulnerable as well as communities with lowest uptake.
15. Three new risks have been added to the Register (see risks 29 to 31 in Appendix 1), relating to changes in contractual arrangements for waste disposal, potential changes to the Environment Act and the impact of severe weather on flooding in the borough.
16. One risk (Risk 24) has been closed where the new Pensions Administration service commenced on 26 January 2022, data was successfully migrated from Surrey County Council to LPPA prior to the new service commencing and the first member payroll run was completed on schedule in February 2022.

17. For one risk (Risk 6) separate mitigations have now been recorded for Children’s Services and Adult Social Care relating to safeguarding arrangements and assurance relating to services delivered by external providers.

Corporate risk register – heat map

18. The Corporate Risk Register is set out in Appendix 1 and summarised in the following Heat Map as at Quarter 4 for 2021/22, with the Quarter 3 Heat Map provided for comparison. Risks which have been subject to change since the Quarter 3 Risk Register was reported to the Committee in December 2021 are shown in the larger bold underlined type:





Risk appetite

19. The Council remains accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however as the Covid-19 outbreak continued through a second successive wave the Council needed to take carefully considered risks and develop new and innovative ways to continue to deliver services, support and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.

20. This report provides assurance on the Council's corporate risk management arrangements, explaining the internal control arrangements in place at a strategic level. It provides one of the sources of assurance the Committee can consider when approving the Annual Governance Statement. It also enables the Committee to fulfil its roles under the Committee's Terms of Reference to review the adequacy of Council's Corporate Governance arrangements, including matters such as internal control and risk management.

Conclusions

21. Local authorities will continue to face significant pressures over the coming months responding to the ongoing coronavirus pandemic combined with financial pressures and the other concurrent demand led pressures. Council officers and services continue to respond with partners to changing circumstances at pace, interpreting and implementing new guidance and regulations as they arise.

LIST OF APPENDICES

Appendix 1 – Corporate Risk Register