

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 13/03/2023

Subject: Risk Management

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. That the Committee 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 wider economic factors leading to rising costs, inflation and further cuts expected in public spending. 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 Sukvinder Kalsi, Director of Finance, 1 March 2023

Legal implications

There are no particular legal implications arising from this report.

Comments verified by Grant Deg, Assistant Director of Legal Services, 1 March 2023

Background Papers Used in Preparing This Report

None

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. The Corporate Risk Register is reviewed on a regular basis by the Council's Strategic Leadership Team (SLT) and then presented to the Audit Committee.
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. Officers continue to review and assess the impact of and implications for residents and the Council from the events 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.

10. This report provides the Committee with an updated Corporate Risk Register, presenting a suite of risks as reviewed by SLT.

Changes made since September

11. SLT members and Risk Owners have reviewed the Corporate Risk Register and agreed a number of changes which are reflected in the updated Risk Register provided in Appendix 1.
12. A number of the changes made since September 2022 (when the register was last presented to the Committee) recognise the significant economic uncertainty, particularly in respect of significant increases in inflation which is forecast to rise much further over the coming months. The report in September 2022 identified that this impacted sufficiently on Risks 6, 12, 16, 18 and 20 for their ratings to be increased. Following discussions at SLT Assurance in early November, it was agreed that the rating for Risk 26 (climate change emergency) should also be increased, as external economic factors, reductions in public spending and inflation will affect the affordability and range of mitigations which can be applied.
13. As reported in September 2022, the external auditor's annual report for 2020/21, while not finding any significant areas of weakness in the Council's arrangements for managing and reporting risk did recommend that the Corporate Risk Register should be reviewed and the number of risks on the register reduced.
14. As a result of this recommendation, SLT reviewed the Corporate Risk Register in November 2022 and considered those items which should remain on the corporate register and those which should be managed through departmental risk registers. In each case, the risk had been Green rated and had a Likelihood score of 2 for several quarters. This applies to Risks 7 (decision making), 10 (mutual aid arrangements), 11 (programme management framework and resourcing), 13 (mortuary provision), 23, (safety improvement works), 25 (Covid pandemic) and 29 (sub-regional waste management arrangements). The refreshed risk register now contains 22 risks, with the changes agreed by SLT reflected in the refreshed Register, is appended to this report.
15. SLT Assurance reviewed the Corporate Risk Register again on 1 March 2023, with the following changes being made:

Reduction in risk score

- Risk 6 (Care standards, adults and children's safeguarding, external provider performance) where the likelihood has been reduced following recent positive inspection outcomes, preparations being well advanced for the ILACS inspection due later this year, embedding of a rigorous quality assurance framework and robust contract management, monitoring and oversight arrangements of homecare providers. In adults, all four nursing homes are now CQC rated as **Good**. The in house Reablement service and Rivercourt short-breaks service have both been awarded a CQC rating of **Outstanding** for the third successive time. This is excellent news for H&F's vulnerable residents in terms of their health, safety and wellbeing.

- Risk 16 (High Needs budget pressure) was reduced due to a number of factors including positive take up by schools and other providers on the Early Support offer, data driven monitoring of the SEND Transformation programme in place and pipeline savings modelled for 2024-2026 in line with the Safety Valve requirements. However it should be noted that this area continues to be volatile and is subject to close monitoring.
- Risk 20 (short and medium term budget pressure in Social Care) was reduced due to adult social care and public health budgets being balanced for 2022/23 through the delivery of savings and savings/growth being agreed for 2023/24.

Increase in risk score

- Risk 27 (Housing repairs and contractor performance) was increased due to the government focus on damp and mould issues nationally and a number of adverse findings from the Housing Ombudsman in respect of housing repairs complaints. A number of actions are being taken to bring about improvements in the repairs service, to increase contractor capacity, in the handling of resident and Ombudsman complaints and to implement improvements arising from learning from recent Ombudsman cases.

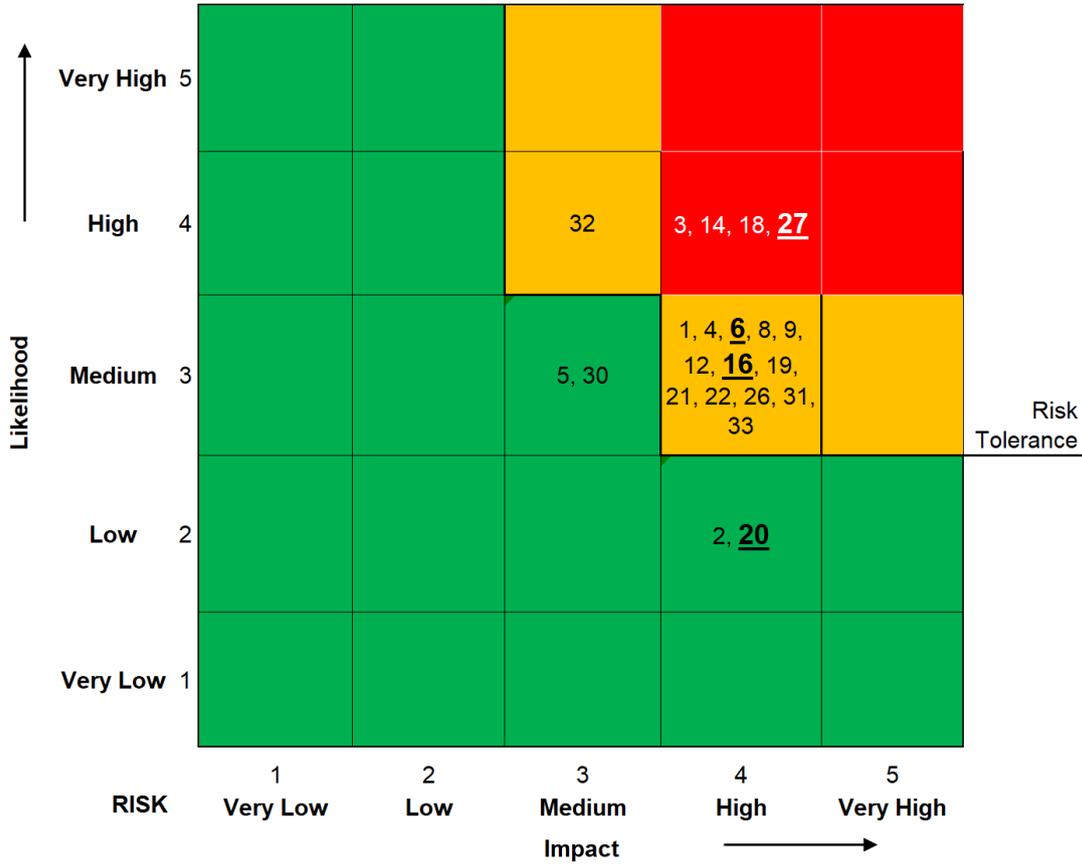
16. No new risks have been added to the register since September 2022.

Corporate risk register – heat map

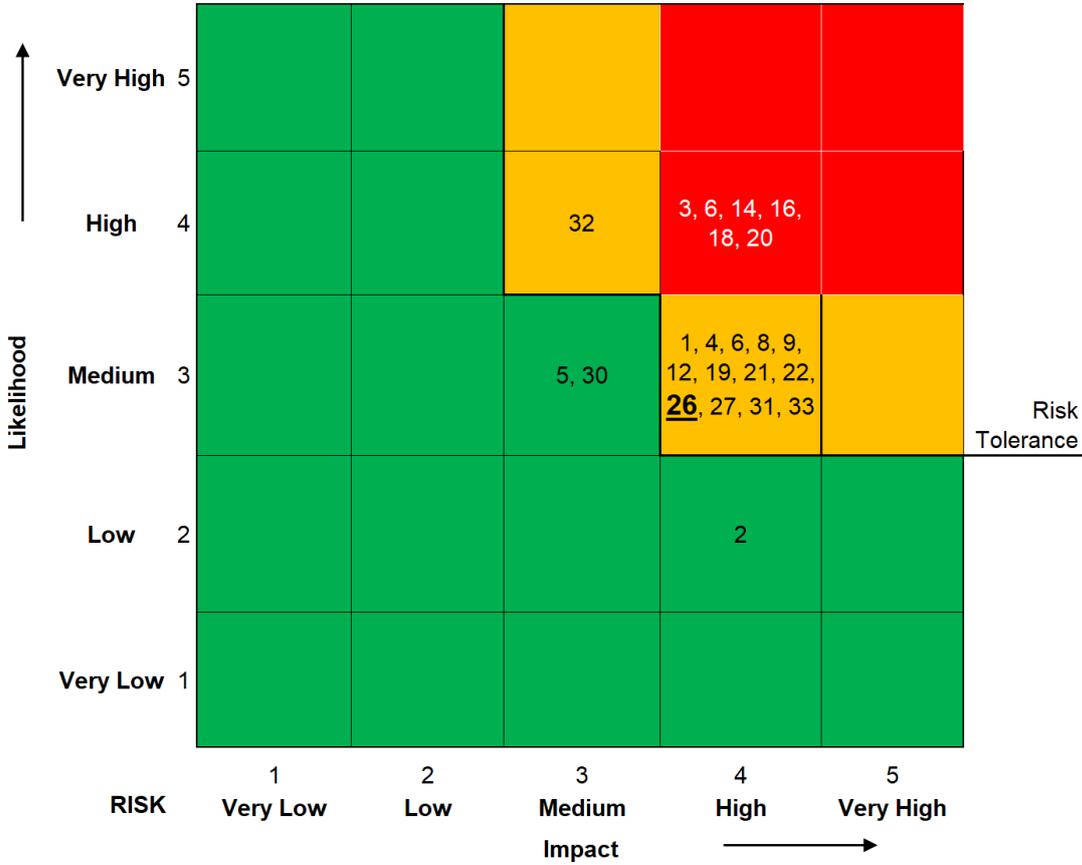
17. The Corporate Risk Register is set out in Appendix 1 and summarised in the following Heat Map as at Quarter 4 for 2022/23, with Quarters 2 and 3 for 2022/23 provided for comparison. Risks which have been subject to change since the Quarter 2 Risk Register was reported to the Committee in September 2022 are shown in the larger bold underlined type:

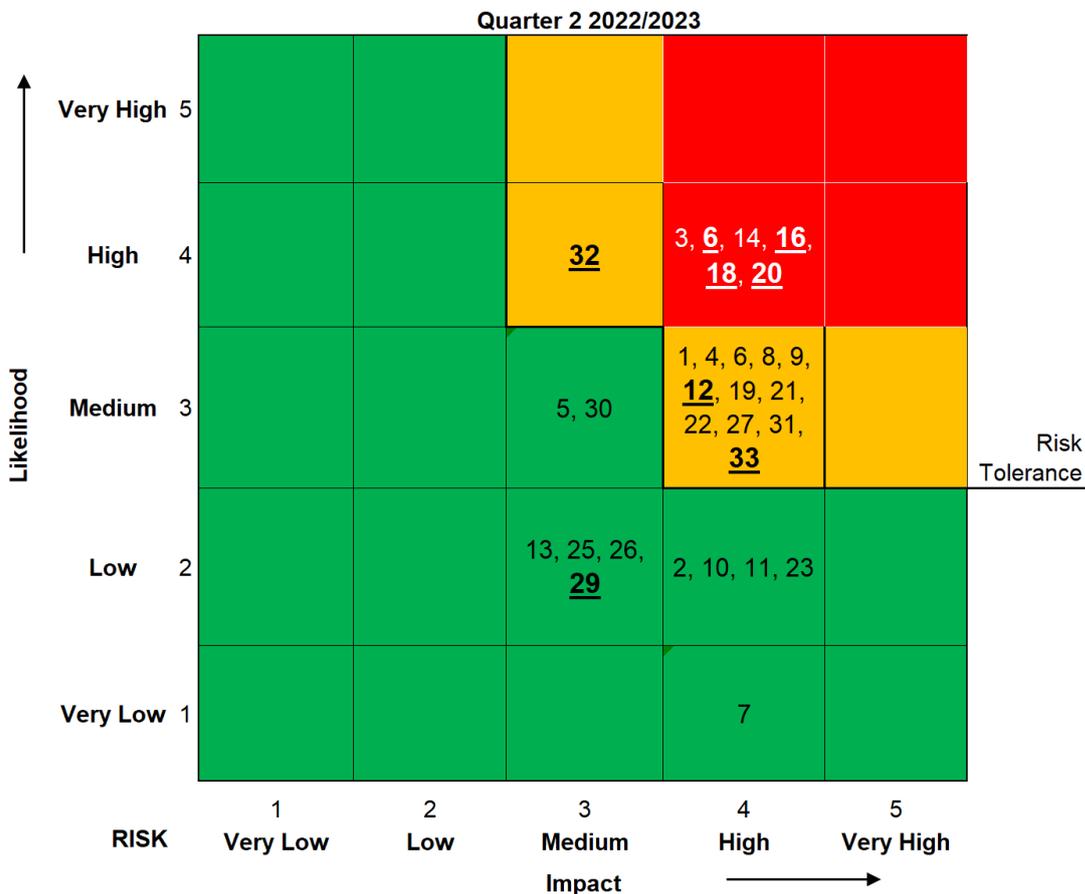
OVERVIEW RISK HEAT MAP

Quarter 4 2022/2023



Quarter 3 2022/2023





Risk appetite

18. 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 with the ongoing challenges faced by the Council, there is a need to continue to 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.

19. The ongoing situation in Ukraine continues to impact on the cost of domestic and business energy costs and fuel costs for activities such as transport and heating. Inflation has been rising quickly since the beginning of the year and is likely to rise further and remain high for some time. The cost of living crisis is also likely lead to increased demand for services where residents will need more support.

20. These factors impact on the Council in a number of ways including its staffing costs (including the level of pay awards), the cost of borrowing (particularly where it is needed for ongoing/planned capital works), cost pressures on contractors providing Council services (staffing, fuel, materials). The impact will also be felt by partner organisations (such as schools and the voluntary and community sector, where officers will closely monitor the impact and consider any support the Council will be able to provide.

21. A key concern for the Council is the impact that the cost of living crisis being experienced by residents through inflation and rising energy costs as well as the

ongoing economic uncertainty (including the potential for rising unemployment). A [range of support measures](#) are being offered to residents and officers will continue to assess the situation and consider what further actions can be taken.

22. At the July 2022 meeting it was agreed that the impact of inflation and risks which could arise or may be heightened by increases in inflation would be factored into the Corporate Risk Register. In reviewing the Register in November 2022, further changes to risk ratings and risk mitigations were included in the register. This matter is kept under regular review by SLT, and a further review of the Register was carried out in March 2023. This is done to ensure that ongoing impacts are recognised and appropriate mitigations put in place to protect Council services and local residents.
23. 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

24. Local authorities will continue to face significant pressures over the coming months, with the prospect of further reductions in public spending, combined with external economic pressures and 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