

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 11/03/2024

Subject: Risk Management Update

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

For the Committee to review, note and comment on the report.

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 strategic operating environment for local government represents a significant risk to the council with the ongoing challenge of delivering services with increased demand and legislative pressures. This is further impacted by wider economic factors leading to rising costs from inflation and reduced funding. This has seen the Council incur additional expenditure whilst at the same time seeing pressures in the level of resources available through a combination of lower income levels and inherent demographic/legislative pressures.

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 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, 29 February 2024

Legal implications

There are no particular legal implications arising from this report.

Comments verified by Grant Deg, Assistant Director of Legal Services, 1 March 2024

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, Gaza, 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. Officers have now taken into account the impact and implications for residents and the Council from the events in Gaza and Israel. This includes ensuring that risks relating to physical security, a rise in tensions in the community and that cyber security are defined, understood and mitigated as appropriate.
11. This report provides the Committee with an updated Corporate Risk Register, presenting a suite of risks as reviewed by SLT.

Changes made since November 2023

12. 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.
13. A number of risks continue to highlight the continuing economic uncertainty, regarding the high level of inflation as well as recent increases in interest rates, coupled with uncertainty on future funding for local authorities beyond 2024/25.
14. SLT Assurance reviewed the Corporate Risk Register on 7 February 2024, when the following changes were agreed:

Reduction in risk score

- Risk 14 (Failure to deliver the Civic Campus Programme.) The impact for this risk has been reduced from 4 to 3 due to and increased interest in letting following a successful marketing campaign.

Increase in risk score

- Risk 20 (Financial Management - in year budget 2023/2024 and Medium-Term Planning: Social Care) A slight increase in score to reflect the ongoing pressures around funding, inflation and price increases and market volatility.

Amended risk narrative

Updates to the risk narrative are shown in black text in Appendix 1 and include:

- Risk 8 (Failure to identify and address internal and external fraud) The Council has joined the London Fraud Hub which matches a number of data sets across councils in London to highlight potential fraud cases for investigation. A growth bid has been approved to create an internal data warehouse to provide reporting and dynamic checking capabilities for enforcement/investigation staff and frontline staff carrying out checks for eligibility to services for new applicants.
- Risk 9. (Financial Management – Medium-term planning) The 2024/25 General Fund and HRA budgets were approved in February. Considerable work will be done across summer 2024 to meet the 2025/26 budget gap. The General Fund financial position is relatively strong (stable debt levels, reserves, and cash balances) but the outlook remains more challenging on the HRA. The Council has established strong in-year financial governance arrangements (from Finance SLT to Directorate Management Teams).
- Risk 20 (Financial Management - in year budget and Medium-Term Planning: Social Care) In year pressures include: the impact of the hospital discharges placed by NHS and requiring reassessment of care is increasing social care costs and the impact of cost of living pressures on the care market providers.

For 2024/25, the adult social care budget continues to be pressurised due to the requirements of the Fair Cost of Care funding reforms; inflation and price increases coupled with market volatility. The department meets on a fortnightly basis to review commissioned care with the aim of managing demand and cost where possible and appropriate.

- Risk 27 (Repair system and contractor management not delivering performance at the required levels. leading to reputational damage, enforcement action and external intervention, legal disrepair cases and Category 1 Hazards, HHSRS, Damp, Mould, etc.). Overall, we are moving to mitigate against this risk, in-line with direction set by Chief Executive, the monitoring officer, the Housing Ombudsman, and the Social Housing Regulator. There is increased focus on day-to-day contract and work in progress management both for external contractors and the in-house Direct Labour Organisation (DLO). This is being done to ensure repairs are delivered on a more timely basis and to the satisfaction of residents. Good progress is being made in completing void works and in dealing with damp and mould and disrepair cases. A new leak detection team now recruited and mobilised additional external contractors. Key risks remain managing across multiple critical priorities and substantial long-term and ongoing challenges, managing a greater number of repairs contractors, and improving the repairs service without excessively pressuring the Housing Revenue Account.
- Risk 31 (Failure to manage the negative impact of flooding, due to adverse weather conditions, on residents and businesses. Consequences of the Climate Emergency. A joint climate adaptation steering group has been established which covers all departments across and promotes joint working and good practice. Highways and Parks have carried a number of joint flood risk schemes around Eel Brook Common. Work is underway to develop an adaptation strategy for the borough focusing on extreme heat and flooding.

15. No new risks have been added to the register since November 2023.

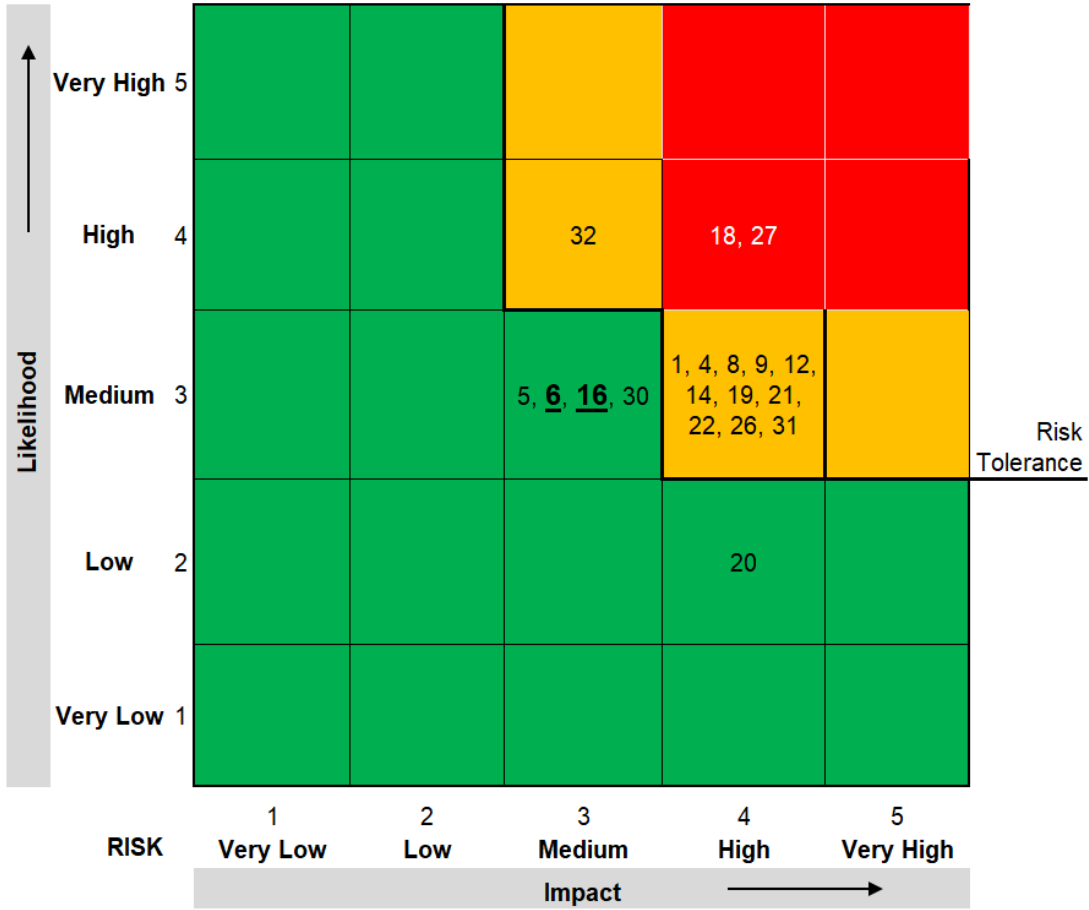
16. One risk has been removed: Risk 5 (Managing statutory duties, equalities, human rights, duty of care regulations, highways.) where the risk has remained Low Priority (Green) for two quarters and has now been merged into Risk 32.

Corporate risk register – heat map

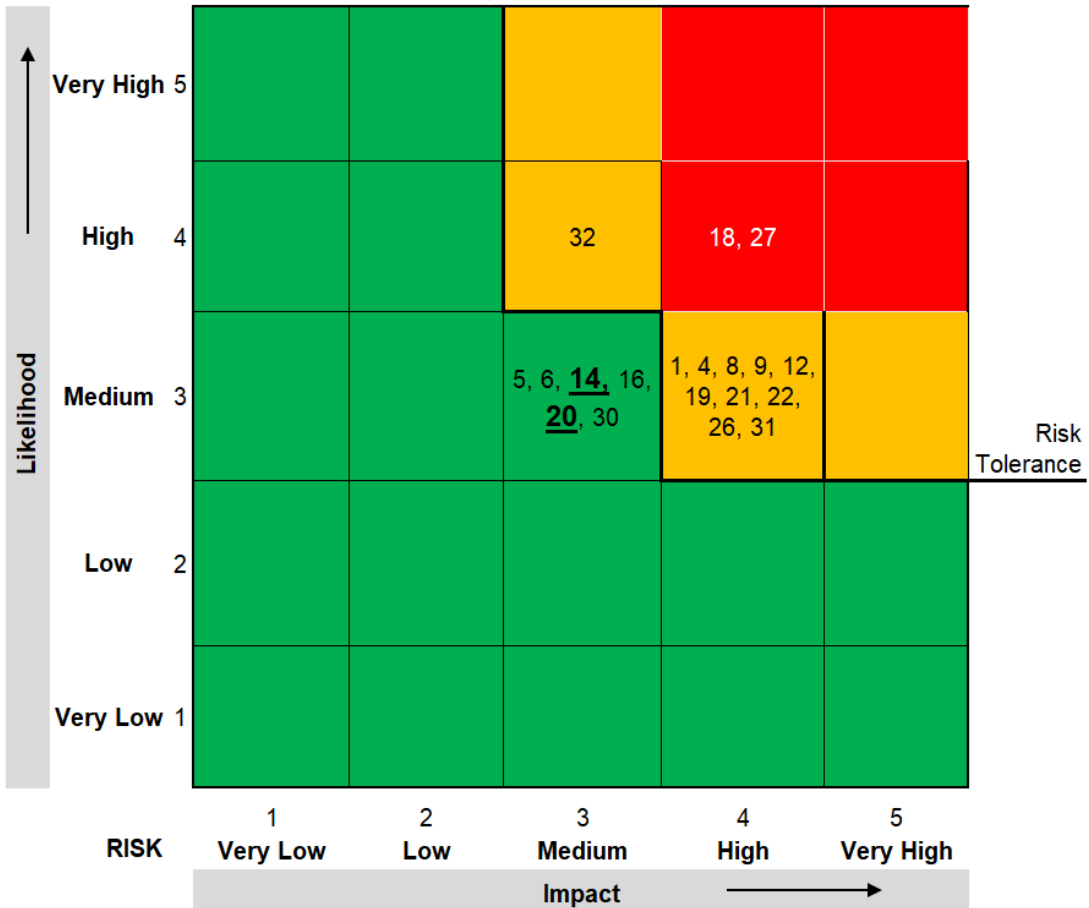
17. The Corporate Risk Register is set out in Appendix 1 and summarised in the following Heat Map as at Quarter 3 for 2023/24, with the Heat Map for Quarter 2 for 2023/24 provided for comparison. Risks which have been subject to change since the Quarter 3 2023/24 Risk Register which was reported to the Committee in July 2023 are shown in the larger bold underlined type:

OVERVIEW RISK HEAT MAP

Quarter 2 2023/2024



Quarter 3 2023/2024



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 and now Gaza continues to impact on the cost of domestic and business energy costs and fuel costs for activities such as transport and heating. While there has been a slight reduction in costs over the past few months (still at much higher levels than two years ago) it is anticipated that energy costs will rise again later in the year. Inflation is still at a very high level and interest rates have increased significantly over the past 12 months. 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. These and other factors are kept under regular review by SLT. 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