

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 08/07/2024

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, including the steps being taken to refresh the Corporate Risk Register and to update the Risk Management Strategy.

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 the Council 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 Executive 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. 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. This report provides the Committee with an update on the steps being taken to refresh the Corporate Risk Register and to review and update the Council's Risk Management Strategy.

Corporate Risk Register review

10. SLT Assurance reviewed the Corporate Risk Register on 5 June 2024 and no new risks have been identified or existing risks closed since the previous report to the Audit Committee in March 2024. There were also no changes in risk scores since the last report, confirmation that controls continue to be applied to manage and monitor the risks
11. It is recognised that many of the risks on the corporate register are long term and are not expected to change significantly over time. This is borne out by recent reports to the Committee. Several of the risks on the Council's corporate register are commonly seen on corporate risk registers across London.
12. Recent changes in the corporate management structure mean that some of the corporate risks have been reassigned and need to be reviewed with the relevant Executive Director who has taken over responsibility for those areas.
13. The Risk and Assurance Manager is working with departments to both review their corporate risks and departmental risk registers, along with the risk registers on major programmes. This both helps to provide assurance on the management of risk in departments and on major programmes as well as ensuring that new and emerging risks which need to be raised to the corporate register are identified and discussed.
14. The Committee will recall that, following recommendation from the Council's external auditor, that the number of risks on the corporate risk register has been reduced. SLT continue to review the number of risks on the register to ensure they are satisfied that the right risks are being reported and monitored.
15. Taking account of the stability of existing risks on the register and changes in the corporate management structure, the Director of Audit, Fraud, Risk and Insurance and the Risk and Assurance Manager will be taking the opportunity over the summer work with SLT to refresh the Corporate Risk Register so that it provides more focus on planned mitigations which are intended to maintain or reduce the risk over time.
16. This will provide enhanced assurance to SLT, Executive Directors and Members that planned actions are being implemented, are having the desired effect and provide opportunities to take corrective action where appropriate.

Refresh of the Risk Management Strategy

17. The council has a vision to improve people's lives, and to do this, objectives are set in the business plan that are intended to deliver this vision. It is essential that risks to the Council delivering these objectives are identified, monitored and managed.
18. The Council's current risk management strategy (approved by the Committee in 2019) was developed just before the Covid pandemic, where risk management arrangements came to the fore and played a significant part in the management and oversight of the Council's response. Since then, the Council has faced significant challenges, along with other councils, in terms of the exit from the European Union

and an uncertain economic climate, leading to high interest rates and cost of living for residents.

19. It is timely that the corporate risk management strategy should be revised to support the delivery of the H&F Vision to ensure the Council continued to support its residents and communities and deliver quality services within a challenging financial envelope.
20. In addition to refreshing the Corporate Risk Register, a review of the Council's Risk Management Strategy will be undertaken and presented to SLT Assurance in November 2024, prior to being presented to the Audit Committee. The refreshed Corporate Risk Register and Risk Management Strategy will be reported to the Committee at its meeting in December.
21. Following the adoption of the new Risk Management Strategy and Corporate Risk Register, training sessions will be held for Heads of Service and managers across the Council which will cover both risk management and the internal audit process. This will help to further embed good risk management practice and good design and operation of controls to manage risk across the Council.

Risk appetite

22. 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.
23. The ongoing situation in Ukraine and Gaza continues to impact on the cost of domestic and business energy costs and fuel costs for activities such as transport and heating. While reported inflation is falling, interest rates remain high and the cost of living crisis continues to impact on residents and continues to lead to increased demand for services where residents need more support.
24. 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.
25. 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.
26. 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.

27. Regular reporting to the Committee 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

28. 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.
29. Taking the opportunity to both review the format and content of the Corporate Risk Register and to review and update the Council's Risk Management Strategy will help to ensure that robust risk management arrangements are embedded across the Council and that reporting to SLT Assurance and Members on the corporate risks is enhanced.