



London Borough of Hammersmith & Fulham

AUDIT PENSIONS AND STANDARDS COMMITTEE

13 December 2012

Combined Risk Management Highlight report

Report of the Executive Director of Finance and Corporate Governance

Open Report

For Review & Comment

Key Decision:No

Wards Affected: None

Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance

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1. EXECUTIVE SUMMARY

- 1.1. This report updates the Committee of the risks, controls, assurances and management action orientated to manage Enterprise Wide risks.

2. RECOMMENDATIONS

- 2.1. The committee consider the current h&f Sovereign Strategic, Change and Operational risks as outlined in the report.
- 2.2. The committee note the TriBorough and BiBorough risks such as they may affect h&f as outlined in the report.
- 2.3. The committee approve the Enterprise Wide Risk & Assurance register

3. REASONS FOR DECISION

- 3.1. This report updates Members on the risk management issues identified across council services and follows changes in the reporting process to Committee to meet BS31100 requirements for Enterprise Risk

Management. Effective risk management continues to help the council to achieve its objectives by 'getting things right first time' and is a key indicator of the 'Corporate Health' of the council.

4. INTRODUCTION AND BACKGROUND

- 4.1. The public sector is changing and increasingly confronted by a growing range of new areas of vulnerability, such as complex supply chains, the interconnectivity of new technology, funding reductions and civil unrest. Taken against a backdrop of a challenging global risk environment, unpredictable severe weather and natural catastrophes and unprecedented levels of organisational flux, these scenarios pose real risks to the long term resilience of public services.

5. PROPOSAL AND ISSUES

5.1. TRI-BOROUGH RISK MANAGEMENT DELIVERY

5.1.1. H&F Risk Management has been included as a service, along with Internal Audit and Counter Fraud, in the Corporate Services Programme. A Strategy to manage TriBorough risks is being developed collaboratively with Westminster City Council and the Royal Borough of Kensington and Chelsea. Information is being shared with other councils and a team area has been set up on the Tribnet Internal Intranet area.

5.1.2. The target operating model that will deliver the risk management service is also being developed and follows a review of risk management arrangements in each of the three boroughs. The results of a customer insight analysis recently conducted across the three councils will be considered in the development of an overarching strategy.

5.1.3. Gaining insight into the user experience of customers of Corporate Services functions (CS) has been an integral part of the Corporate Services Programme. An Online customer survey has been undertaken capturing the opinions of **297** managers from across the three Councils that was aimed to help:

- gain a greater understanding of current customer satisfaction levels
- establish a baseline for comparison later in the programme
- provide an input into the redesign of Corporate Services functions.

5.1.4. Users of a range of Corporate Services functions, including risk management, were asked how strongly they agreed or disagreed with eleven positively framed statements that reflected the objectives of the Tri-Borough Corporate Services programme.

5.1.5. Presently each council has in place a policy, strategy, framework and approach distinct from each other. These will be harmonised and any proposals for change ratified by the councils respective Executive Management to ensure that their respective Sovereign position is maintained. It is still anticipated that efficiencies will be made in the administration, training and delivery of the service.

5.2. BENCHMARKING OF CORPORATE RISKS

5.2.1. Hammersmith & Fulham council recently participated in an exercise to compare corporate risks across London. This was facilitated by the London Audit Group and revealed a diverse range of unique challenges and common risks faced by London councils. An extract of these risks are identified below for illustration;

5.2.2. Common risks

5.2.2.1. Central Government future risks for Local Government

- Impact of Universal Credit and the it's effect on demand led services, temporary housing, homelessness and care provision.
- Public Health responsibilities transferring to the council and the risk that funding transferred from Central Government will not be sufficient.
- Failure to plan a strategic corporate response to resource reductions, demographic change, and regional economic challenges.
- Fraud & Illegality, as major organisational change is implemented, so the opportunity for fraud will increase. As processes are streamlined for efficiency gains, the control environment may weaken and increase the potential exposure to fraud. Wider spending cuts will impact on individuals' financial situations, leading to greater temptation to try and exploit control weaknesses. Efficiency measures implemented may be more likely to give rise to legal challenge where individuals feel aggrieved.

5.2.3. Customer Service

- Inability to deliver technological changes to meet customer requirements and demands

- Breach of statutory obligations through failure of compliance with relevant legislation

5.2.4. Social

- Safe Guarding Adults and Children, Failure to adequately quality assure protection arrangements & systems, as well as investigate Safeguarding concerns will lead to failure to perform statutory duties, resulting in death or serious injury or loss of public faith and reputation of the council, with challenge and scrutiny from governing bodies.
- Community Tension, Failure to adequately monitor tension risks and to be seen to address concerns and grievances leads to community tensions, personal safety risks for minority populations, and reputational damage for the Council.

5.2.5. Finance and Governance

- Failure to develop efficient and reliable data and information management IT systems for identifying and alerting managers on budgetary failures.
- Failure to comply with the assurance systems in place leads to poor decision making, ineffective use of resources, an increased possibility of serious irregularities and fraud resulting in poor delivery of Corporate outcomes

5.2.6. Economic recession

- Failure to deliver local economic regeneration
- Impact on revenues
- Continuing global and European financial instability

5.2.7. Education

- Failure to plan a strategic corporate response to resource reductions, demographic change and regional economic challenges

5.2.8. Unique and new risks

Whilst some risks were specific to local council projects the benchmarking revealed additional risks that H&F council could consider either corporately or departmentally. These include;

- Power cuts, following Ofgems recent report on the capacity issues in the energy industry.
- Collapse of the re-cycling market due to the continued economic climate.
- Passporting of EU fines to local government.

5.2.9. Opportunity risks

- Usage of Smartphone technology for increasing revenue, income and advertising opportunities in a more mobile personalised digital area.
- Usage of electronic libraries, kindles and Smartphones to access on-line books, media, maps, planning, licensing

5.2.10. The review of corporate risks focussed on current corporate risk identification practice across London Councils. Benchmarking of this nature is an indicator of the positive risk management culture that exists in the council. It can be used to measure the impact of risk management in the council and its identification process. It refreshes the business risk assessment process through an examination of the council's risks and issues.

5.3. H&F - STRATEGIC RISKS PERSPECTIVE

5.3.1. A high level of uncertainty remains regarding the national economic picture and its impact on National Government and therefore also Local Government. The International Monetary Fund in a BBC report said the Eurozone crisis was the main cause of instability in the global financial system. Risks to global financial stability have increased in the past six months despite efforts by policymakers to make the financial system safer. It said little progress had been made in making the system more transparent and less complex, and that confidence in it had become "very fragile". The councils Financial Strategy Board and Enterprise Wide Risk Register have been reviewed in light of the Eurozone debt crisis which remains the main cause of concern.

5.3.2. On Monday 8th October, the IMF downgraded its forecast for global growth. It estimated growth in 2013 to be 3.6%, down

from 3.9% in its previous forecast in July. This included sharp downgrades for the UK, Brazil and India.

Remaining risks

- 5.3.3. In its latest Global Financial Stability Report, published every six months, the IMF said "significant efforts" by European policymakers had "allayed investors' biggest fears". The European Central Bank offered cheap loans to banks early this year; the bank's chief Mario Draghi said he was prepared to do whatever it took to save the euro in the summer; and Eurozone governments announced the launch of the long-awaited European Stability Mechanism (ESM), the bloc's new permanent fund to bail out struggling economies and banks.
- 5.3.4. The ESM, with 500bn Euros (£400bn; \$650bn) at its disposal by 2014, will be able to lend directly to governments, but it will also be able to buy their sovereign debts, which could help reduce the borrowing costs of highly-indebted countries such as Italy and Spain.
- 5.3.5. However, the IMF said that "despite recent favourable developments in financial markets, risks to financial stability have increased since April". It said concerns about countries leaving the Eurozone had led to "capital flight" away from the bloc that "undermined the very foundation of the union". It added that the need for banks to build up capital protection, together with high borrowing costs for governments, was "generating very strong headwinds for the corporate sector".
- 5.3.6. The fund talked of a benchmark set of goals for the financial sector - institutions and markets that are "more transparent, less complex, and less leveraged". "Although there has been some progress over the past five years, financial systems have not come much closer to those desirable features. They are still overly complex, with strong domestic inter-bank [links], with the too-important-to-fail issues unresolved". It said individual governments needed to cut debt levels without choking off growth and push through reforms to clean up the banking sector, including recapitalising viable banks. The ECB would need to help in this process, it said. The IMF also reasserted its view that much closer ties were needed between Eurozone banks.
- 5.3.7. The IMF highlighted a number of measures that were needed to help resolve the crisis. Outside the Eurozone, the fund pointed to risks in the US and Japan. In Japan, the fund highlighted high budget deficits and record debt levels, as well

a "growing interdependence" between banks and the state. Measures to tackle these issues were needed "without further delay".

- 5.3.8. According to the energy regulator Ofgem, Britain risks running out of energy generating capacity in the winter of 2015-16. Its report predicted that the amount of spare capacity could fall from 14% now to only 4% in three years. Ofgem said this would leave Britain relying more on imported gas, which would make price rises more likely. The government said that its forthcoming Energy Bill would ensure that there was secure supply. Ofgem highlighted the risk on coal-fired power stations being closed sooner than expected and EU environmental legislation. These warnings come in Ofgem's first annual Electricity Capacity Assessment. It comes three years after Ofgem's Project Discovery report, which warned that electricity shortages could lead to steep rises in energy bills. It is now saying the highest risk of shortages would be sooner than expected because coal-fired power stations would be closing sooner than it had predicted in 2009.

5.4. H&F - STRATEGIC RISKS PERSPECTIVE

- 5.4.1. Risk and Assurance Registers are an expression of Departmental Governance arrangements. As the three boroughs develop a collaborative risk management strategy reports will increasingly reflect the recommendation from the External Auditors Annual Governance Report which states that the council should 'Enhance the integration of tri-borough risks into the Authority's risk management arrangements and, to support internal control, establish effective arrangements for ongoing internal audit'.
- 5.4.2. Evidence and material for the refresh of the Enterprise Wide Risk and Assurance Register was drawn from a number of sources both within the council, across TriBorough Services and in other Public and Private Sector organisations.
- 5.4.3. Since the last Audit Pensions and Standards Committee the following departments and areas have submitted refreshed risk & assurance registers which are being used as a basis to form H&F sovereign and TriBorough Audit Plans. Material from these registers form part of the information required to update the Enterprise Wide risk and assurance register.
- Finance and Corporate Services Department, Financials Risk & Assurance Register, Procurement Risk Register, Information Security Management

- Transport & Technical Services Department
- Adult Social Care Department
- Environment Leisure and Resident Services Department
- The Childrens Services Department

5.4.4. Closure of Accident and Emergency Services in West London has been included in the Enterprise Wide risk and assurance register under risk number 5. This reflects the potential impact on Residents of the Borough of Accident & Emergency closures, the increase of ambulance journey times to overstretched out-of-borough A&Es and, if four out of the nine A&Es close (at Charing Cross, Hammersmith, Central Middlesex and Ealing hospitals), a population equivalent to the size of Sheffield will be left without a single local A&E.

5.5. ENTERPRISE WIDE RISK AND ASSURANCE REGISTER

5.5.1. The Enterprise Wide Risk and Assurance Register has been updated following the review of Departmental submissions and has been reviewed by the Hammersmith & Fulham Business Board. It remains an indicator of 'Corporate Preparedness'. The full version accompanies this paper for Members information at **Appendix 1**.

5.6. H&F - CHANGE RISK PERSPECTIVE

5.6.1. Change or Programme risk management is the responsibility of the RBKC programme management office (PMO) and Transformation Management Office (TMO) in H&F. Information collated as part of the function of the PMO/TMO on risk is shared through Sharepoint with the H&F risk management consultant or through recent updates from the TMO. Data drawn from the PMO /TMO highlight reports are considered as the H&F Enterprise Wide risk & assurance register is updated. As the activity of the PMO/TMO in delivery of TriBorough and Sovereign Objectives diminishes risks will migrate to form part of the business as usual function.

5.7. H&F PROGRAMME AND PROJECTS PERSPECTIVE

5.7.1. The Transformation Office has refreshed their project and programme governance reporting arrangements. This has been approved by the Hammersmith & Fulham Business Board. Departments will in future track and report on progress of individual projects. Aspects of which will be discussed at their respective Department Management Teams.

- Key Risk update – The number, scale and complexity of H&F initiatives are increasing possibly resulting in potential overload, competing priorities, lack of clarity on priorities.

5.7.2. Detailed information on controls and assurances are contained in the fabric of the Enterprise Wide risk register, project tracking record and contract and market testing schedules. Work is in progress to mitigate these risks. The exposure rating of some Enterprise Wide risks has not proven to be volatile indicating a reasonable and consistent level of Internal Control.

5.8. H&F - OPERATIONAL PERSPECTIVE

Business Continuity and Emergency Planning

5.8.1. The Committee asked at the September meeting if more detail could be provided in relation to how the council responds to media interest during emergencies. This has been clarified by the Director of Communications and Deputy Head of Emergency Services and confirms that the arrangements are in line with the procedures set out in the Major Incident Plan for London's emergency services, local authorities and other main responder organisations.

5.8.2. For every type of incident there will be a lead response agency, this agency will usually coordinate media liaison which may include communicating with the lead press officers for other agencies and coordinating meetings with these lead officers if required. Press Officers from all organisations take their lead from the main multi agency crisis management meetings.

5.8.3. Each individual agency responding to an incident will issue press releases in relation to their own activities however care is taken to ensure these messages are in line with the wider media strategy and that information is accurate and open to

share in the public domain. The joint Major Incident Plan for London's emergency responders encourages agencies to put any press statements they release on to their websites and make use of social media in order to disseminate information as wide as possible. Information in relation to the response to terrorist incidents may only be released by agencies once it has been cleared by the Metropolitan Police Service Counter Terrorist Command.

- 5.8.4. The council is well practiced in drafting and pushing out public information messages during incidents such as evacuations and severe weather. The Communications Team are set up to update the Council's website and "tweet" messages to the community on a 24/7 basis.
- 5.8.5. The riots of last year demonstrated the positive and negative power of social media in emergencies and since that time the council's Twitter feed has been accredited so that public know that it is an official channel for public information, rather than a unofficial hearsay or deliberate false reporting. The Council also has the ability to send out e-alerts to more than 25,000 subscribers at short notice.
- 5.8.6. During the Olympics the Council strengthened its ability to get out messages to thousands of people quickly by integrating our live 'Twitter' feed onto the local newspaper's website homepage (Fulham and Hammersmith Chronicle), potentially opening up key information to thousands of residents and businesses who would not normally see it. This service will continue.
- 5.8.7. The council does not have a contract with a dedicated crisis management response service that deals with the media in emergencies as is the case in some private companies. The Leader or a senior cabinet member will usually be the media spokesperson for the council in response to a major emergency.

Health and Safety

- 5.8.8. The direction of travel for H&F departmental health and safety performance continues to be one of improvement evidencing the commitment of management. The contribution of Departmental Safety Champions remains high during a period of significant transition and demands on their time.
- 5.8.9. The Corporate Safety Unit and H&F Risk Management Officer have identified an opportunity to track the number of key

organisational Health & Safety risks (based on the Health & Safety Executive key areas of legislation) which it will express and monitor in a formal risk register. The document will be reviewed periodically by the councils Safety Committee and will form an independent and new assurance on Health & Safety for the council.

Information Management

- 5.8.10. From 01 October 2012, All line managers are responsible for ensuring that their new members of staff (both permanent members of staff and temporary workers) have completed the training and signed a Personal Commitment Statement (PCS) on the use of the councils Information Management systems. Additionally the worker's central record (e.g. Trent for permanent members of staff) is updated to indicate the date which the PCS was signed. This should occur within one month of the worker starting at H&F. The Information Management Team (IMT) will monitor compliance using data retrieved from the central records and will feedback to the IT Strategic Operational Group (ITSOG) and the relevant Departmental Management Teams (DMT) for escalation where necessary.
- 5.8.11. IMT and Human Resources have also agreed a way forward to target all those existing officers who joined H&F after the last corporate roll-out to ensure that they complete the training and signed the PCS. This targeted refresher roll-out also began on 01 October 2012 and department completion rates will be monitored and feedback to ITSOG and the relevant DMTs for escalation where necessary.

Procurement

- 5.8.12. The Bi Borough Procurement Board was updated in the last quarter on Procurement Risk and Assurance. It has been discussed and agreed that a Biborough (H&F and RBKC) combined procurement risk & assurance register is developed and maintained. Westminster City Council operates a Category style approach to Commissioning and Procurement and remains a sovereign team and function. They are therefore outside the scope of the development of a risk register but remain welcome to contribute.

Key Risk Indicators

5.8.13. Risk indicators are an important tool within operational risk management, facilitating the monitoring and control of risk. In so doing they may be used to support a range of operational risk management activities and processes, including: risk identification; risk and control assessments; and the implementation of effective risk appetite, risk management and governance frameworks. As previously report to the Committee a number of Key risk indicators were being developed for this purpose. These have been discussed at the councils Financial Strategy Board and further examination of a core suite of indicators has been agreed.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. *Not applicable as the report is a represenatation of the business risks and oportunties to H&F council.*

7. CONSULTATION

7.1. *Not applicable as the report addresses the business risks to H&F council.*

8. EQUALITY IMPLICATIONS

8.1. *The responsibility to complete Equality Impact Assessment in relation to policy decisions is the responsibility of the appropriate departmental officer. The report highlights some of the risks and consequences of risk taking over a broad landscape and as such specific Equality and Diversity issues are referred to in the councils Enterprise Wide Risk and Assuance Register.*

9. LEGAL IMPLICATIONS

9.1. *Failure to manage risk effectively may give risk to increased exposure to litigation, claims and complaints. As such the report contributes to the effective Corporate Governance of the council.*

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. *Exposure to unplanned risk could be detrimental to the ongoing financial and reputational standing of the Council. Failure to innovate and take positive risks may result in loss of opportunity and reduced Value for Money. There are no direct financial implications with the report content.*

11. RISK MANAGEMENT

11.1. *It is the responsibility of management to mitigate risk to an acceptable level. Appropriate and proportionate mitigating actions to known risks are expressed in the Enterprise Wide Risk and Assurance Register and subject to review as part of planned Audit work and the Annual Governance Statement.*

11.2. Implications verified/completed by: Michael Sloniowski, Principal Consultant Risk Management. 020 8753 2587

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. *Failure to address risk in procurement may lead to a reduction in the expected benefits (Value for Money, Efficiency, Resilience, Quality of Service) and leave the council exposed to potential fraud and collusion as identified in the Bribery Act.*

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Association of Local Authority Risk Managers & Institute of Risk Management, 2002, A Risk Management Standard	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
2.	The Orange Book, Management of Risk Principles & Concepts – HM Treasury	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
3.	Departmental Risk Registers, Tri borough Portfolio risk logs	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
4.	CIPFA Finance Advisory Network The Annual Governance Statement	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith

5.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
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[Note: Please list only those that are not already in the public domain, i.e. you do not need to include Government publications, previous public reports etc.] Do not list exempt documents. Background Papers must be retained for public inspection for four years after the date of the meeting.

LIST OF APPENDICES:

*Appendix 1
Enterprise Wide Risk and Assurance register*