London Borough of Hammersmith & Fulham **AUDIT PENSIONS AND STANDARDS COMMITTEE** **20 September 2017**	h&f hammersmith & fulham

RISK MANAGEMENT UPDATE
Report of the Director for Audit, Risk, Fraud and Insurances – David Hughes
Part Exempt Report Exempt elements of this report can be found in the exempt agenda.
Classification: For review and comment **Key Decision: No**
Consultation: *All service departments were consulted as part of the quarterly review.*
Wards Affected: None
Accountable Director: David Hughes, Director for Audit, Risk, Fraud and Insurances

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1. EXECUTIVE SUMMARY

1.1. The purpose of this report is to provide members of the Audit, Pensions and Standards Committee with an update on risk management within the Authority, and present them with the corporate and service risk registers for consideration.

2. RECOMMENDATIONS

2.1. That the Committee review and consider the contents of the Corporate and Service Risk Registers.

3. REASONS FOR DECISION

3.1. The Accounts and Audit Regulations 2015 states that the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. It is paramount that all risks are

clearly identified, managed and reported through the relevant channel. Risks can never be entirely eliminated but proportionate and targeted action can be taken to reduce risks to an acceptable level. It is essential that managers and their teams manage risks to:

- achieve council priorities to put residents first;
- ensure robust financial management;
- protect staff and residents;
- protect valuable assets;
- maintain and promote the council's reputation.

4.   PROPOSAL AND ISSUES

4.1.   Risk is the uncertainty of an event occurring that could have an impact on the achievement of objectives, and is measured in terms of impact and likelihood. For the London Borough of Hammersmith and Fulham, risk management is the process whereby the council methodically addresses these risks to achieving its vision, corporate and operational objectives.

4.2.   The Strategic Leadership Team and Chief Executive needs a full understanding of the Councils' risks to fulfil its fiduciary duty. Managing risk is therefore part of everyday business for the Council and is a process that involves the early identification of risks, assessing their potential consequences and determining the most effective way to reduce the likelihood and/or impact of the risk.

4.3.   The Council's approach to risk management requires managers and staff, through their Senior Management Teams, to:

- identify risks;
- assess the risk;
- agree and take action to manage the risk;
- monitor and review risks.

4.4.   A greater level of scrutiny of risk is now becoming normal practice. Expectations have increased internally and by the public on how risks are identified, measured, and mitigated. This has resulted in a higher level of scrutiny of registers at Corporate and Service Level and it is anticipated that this focus will continue for the foreseeable future. Following the June meeting of the Council's Audit, Pensions and Standards Committee a commitment was made to undertake a thorough review of the Council's Corporate and Service risks facilitated by the Council's Internal Audit, Risk, Fraud and Insurances Service. That has been achieved and the process undertaken to review risk registers in this quarter is attached as **Appendix 1**.

Corporate Risk Register

4.5.   The changes from the June 2017 version which was approved by the Audit, Pensions and Standards Committee are summarised below. No risks have been deleted, although Committee should note that Corp 15, which relate to the Managed Services, are relevant at the time of writing this report but are likely to be deleted from the corporate risk register following the close of the Programme and completion of any related operational work. The high risks

extracted from the Corporate, Service and themed registers are attached as **Appendix 3.**

4.6.   The detailed Corporate Risk Register is attached as **Appendix 4.**

Additions:

4.6.1. Corp. 16; **Compliance with statutory Risk Assessments**
(Housing and non-Housing Property)

The Council has duties to ensure that buildings under our control comply with appropriate statutory, regulatory and corporate standards. This new entry covers property compliance areas where the Council has an obligation to undertake risk assessment in connection with, for example, Asbestos, Legionella and electrical safety rules for dwellings in the Building Regulations for England and Wales.

Following the appointment of the interim Chief Executive, reviews were instigated of property compliance. The reviews commenced prior to the Grenfell Tower fire, but were given added impetus by the tragedy.

The reviews identified weaknesses in record keeping, quality assurance and assessment.

In July 2017, to ensure a corporate approach was taken, the interim Chief Executive formed a Property Compliance Task Force, made up of the most senior officers with responsibility for property health and safety.

The Task Force has overseen rapid improvements in property compliance. As reported to the Economic, Regeneration, Housing and the Arts Policy and Accountability Committee on 06 September 2017, a new standard in fire safety has been implemented, with Full Council approving the Fire Safety Plus programme which will see £20m invested into the stock over the next two years, all targeted at making sure residents' homes are safe.

The Task Force has looked at compliance standards across all of the types of property that the council owns, leases or commissions services from. Pressure continues to be applied to ensure the compliance of corporate property under the Amey Total Facilities Management contract. The Task Force is ensuring the right policies, practices and contracts are in place to meet the council's ambition to go beyond the duties required of us, for our residents, businesses that occupy commercial premises, providers of services to the council and our staff.

In parallel, an investigation is underway outside of the remit of the Task Force to determine how and why weaknesses in the arrangements occurred.

4.6.2. Corp. 17; **Co-ordination and response to calls on the Council for Mutual Aid in a crisis**
Councils have a duty to ensure Co-operation between organisations and this is fundamental to emergency preparedness. Many organisations will need to co-operate when responding to emergencies, so it is right that organisations co-operate closely in preparedness and planning as well. Following the experience of the Grenfell Tower the procedures surrounding the accepting, processing and storing gifts and donations require revised procedures.

4.6.3. Corp. 18; **Change Readiness**
Change Management risks associated with, for example, readiness for SmartWorking 2 and Moving On.

4.6.4. Corp. 19; **Recruitment and retention**
Recruitment and retention of the best staff becomes a challenge resulting in higher agency costs, lower productivity and higher turnover of staff, in turn resulting in lower performance in delivery.

4.6.5. Corp. 20; **Moving On**
Failure to deliver "Moving On" programme and extricate LBHF from legacy shared service arrangements with RBKC and WCC.

4.6.6. Corp. 21; **Procurement of replacement HR, Payroll and Finance Services**
This entry is exempted as there are commercial and procurement processes being undertaken in association with this entry.

4.6.7. Corp. 22; **King Street Regeneration Programme**
This entry is exempted as there are commercial processes being undertaken in association with this entry.

Minor Changes:

4.6.8. Corp 1; **Financial Management in year budget 2017/2018 and Medium Term Planning**
Risk has been altered to better reflect the nature of the risk e.g. Reduced Funding Levels, Managed Services, and the move away from Shared Services arrangements for Adults Social Care and Children's Services. The pressures on local authority budgets in the current economic climate mean that despite mitigating actions, the risk levels are high.

4.6.9. Corp 2; **Business Continuity/ Disaster Recovery Plans not in place or inadequate**
Description of the controls in place have been updated to reflect changes to business continuity threats, which have been updated to consider the 2017 structure of the organisation, the sovereign IT function and the risks to service delivery in the event of Cyber attacks and of Supply Chain exposures. A report proposing a software solution

to assist in Business Continuity has been presented to the Council's Business Delivery Team.

4.6.10. Corp 7; **Information Management and Digital Continuity**
Both the risk description and the descriptions of the controls in place have been updated to reflect current circumstances and to include risks around non-compliance with the General Data Protection Regulations.

Issues

Access to risk registers for the Strategic Leadership Team.
4.7. Corporate and Service Risk Registers have recently been migrated across to a controlled Office 365 site and are available to all Members of the Strategic Leadership Team for review.

Escalation of risks.
4.8. Timely escalation of risks ensures that managers have a clearer picture on risks or issues facing their service areas. This helps in the overall decision making process by allowing senior staff to allocate resources, or review areas of concern. The council's risk management process has evolved to improve this area and help drive Service Delivery forward in the knowledge that the key risks now faced are being effectively identified, assessed and managed. **Appendix 2** set out how risks the principles of how key risks should be escalated.

Future risks and opportunities for Audit, Pensions and Standards Committee discussion.
4.9. New risks are always emerging. Following engagement with Services and professional organisations regarding the content of registers a number of observations on future key risks were made.

4.10. **Cognitive technologies** that in the future may augment human decision-making. Driven by developments in artificial intelligence (AI) and easy access to huge amounts of data, smart systems will assist, and at times even replace, human-led decision making. Presents both opportunities and risks.

4.11. **Rapid pace of proliferation of innovations by breaking away from traditional industry norms and established assumptions built into regulations.** Examples may already be seen in the IT Applications enabling access to General Practitioners for consultations and prescriptions via Smartphones.

4.12. **Reputation risks rapidly accelerate and are amplified.** Driving this trend is the convergence of mobile and social media that is intensifying the impact of reputation risks for Councils as seen during the Grenfell Tower incident and is driving a fundamental rethink to the approaches in communication and training proactively addressing these accelerated, amplified risks.

4.13. **Heightened exposure to cyber risks as business processes rely more heavily on the Internet.** Rising threat of nation states investing significant resources into disruptive activities.

4.14. **Greater availability of data** revealing risks in areas that were formerly considered safe, resulting in new obligations to manage those risks or increased liability.

4.15. **Rising privacy concerns** from employees, customers, and business partners because of pervasive monitoring.

4.16. **Advancements in driverless technology, drones.** Drones, also known as "unmanned aerial systems" or UASs, are poised to become ubiquitous in coming decades. Drones are projected to provide enormous productivity gains and cost savings in output, product delivery, mapping and data gathering, as well as to provide another outlet as a hobby. **Autonomous vehicles or driverless cars** are automotive technologies that permit automobiles to operate without human assistance. Driverless cars are expected to dramatically reduce the number of highway deaths and injuries while lowering the costs of transportation.

4.17. Vigilance and resilience of Council Officers will become increasingly important in managing the new emerging risk landscape. Opportunities to better identify and test cutting-edge, commercially available tools focused on vigilance and resilience will need to be appraised. We can expect risks like these to rise in importance, as a result, the monitoring of emerging threats, identifying anomalies in business processes, managing stoppages from third-party vendors, and preparing for risk-related workplace disruptions due to cyber-crime will become business critical.

5. OPTIONS AND ANALYSIS OF OPTIONS

Improving the system of Risk Escalation.

5.1. A key element to effective risk management is on-going vigilance and the communication and escalation of risk information to the appropriate management level in a timely fashion. The framework for the reporting and escalation of risk within the Council is based on the organisational structure and normal reporting lines and which also recognises the increasing role of our residents. Improvements in this area can be made by setting out clearer guidance on risk escalation and for this to be communicated to those involved in the administration of risk register information. Whilst Programmes and Projects can ensure communication by reporting and escalating risks to their respective Boards/Committees through the appropriate channels, Officers who administer Service Registers are not always clear of the key principles that they should follow. To that extent the key principles for risk escalation are set out more clearly in **Appendix 2** and will be communicated to Officers.

6. CONSULTATION

6.1. Consultation has taken place with Service Department Risk Representatives and Subject Matter Experts in Business Continuity, Insurances, Health and Safety, Commercial and Procurement, Internal Audit and Information Management.

7. EQUALITY IMPLICATIONS

7.1. There are no direct Equality implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.

8. LEGAL IMPLICATIONS

8.1. There are no direct Equality implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.

9. FINANCIAL IMPLICATIONS

9.1. There are no direct Finance implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.

10. IMPLICATIONS FOR BUSINESS

10.1. There are no direct implications for business associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.

11. COMMERCIAL IMPLICATIONS

11.1. There are no direct implications for business associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.

12. IT IMPLICATIONS

12.1. There are no direct implications for Information Technology associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.

13. OTHER IMPLICATION PARAGRAPHS

13.1. Risk Management is a statutory responsibility under the Accounts and Audit Regulations 2015. A relevant authority, the Council, must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.

13.2. *Implications completed by Michael Sloniowski, Risk Manager, telephone 020 8753 2587.*

14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT
None.

LIST OF APPENDICES

Appendix 1, Quarterly review of risk registers.
Appendix 2, Escalation of risk, key principles.
Appendix 3, Services High Level Risk Dashboard (High Corporate, Service and Themed risks)
Appendix 4, Corporate Risk Register.

Quarterly review of Risk Registers

1.1. Strategic Leadership team recognise that there should be regular assessment and internal challenge of the effectiveness of management actions put in place in registers to reduce the likelihood / impact of adverse risk events occurring. Alternative action will need to be taken if the initial action has proved ineffective. Management assurance that controls are in place and are continuing to work effectively to mitigate risk is a key part of the review process and can be conducted as part of the quarterly cycle. During the period 185 risks were reviewed by Council Officers both corporately and in services.

1.2. Although the exact process used differs between management teams, the following is an example of how Council Officers in Services approached the review this quarter:

1.3. Services were encouraged to go through the risks listed in their register to consider:
- whether each risk is still valid;
- reviewed ownership of the risk;
- if the situation has changed in the interim period regarding the mitigating actions / controls in place or if it stays the same;
- record descriptions of any further mitigating actions that are being carried out now;
- move any actions from the "further agreed control measures" column if they have been implemented and update this column as necessary;
- use the likelihood and impact definitions to determine the amended residual risk if appropriate.
- if a risk should be escalated, if in the light of the review it is more serious than was first thought and requires more senior management action.
- if a risk should be delegated e.g. to service level, if in the light of the review it is relevant to that service and can be managed at a local level.
- if any risks should be deleted, and if so record the deleted record in a separate area for the record, and to;

  identify if any new risks have arisen, for example:
- from an adverse event occurring;
- by something new happening, e.g. a new partner organisation to work with, a new project starting, new / different way of delivering services;
- as a result of ongoing management review, e.g. unexpected demand for a service, etc.
- from changes in legislation;
- use the likelihood and impact definitions to determine the inherent and residual risk associated to any new risks, and capture the mitigating actions /controls currently in place.

Escalation of risk, key principles

Risk escalation is based on the following key principles:

1.1. All Directors, managers, staff and residents are empowered to escalate. Importantly, escalation should not be not seen as a failure. Escalation is a tool to ensure that risks that cannot be resolved at one level are relayed to the next level to ensure that every effort is made to mitigate the risk.

1.2. Escalation needs to be timely. It is important that risks are escalated early and in good time to affect a resolution.

1.3. Escalation needs to be managed. It is not sufficient to simply escalate a risk to the next management level. It is important that when a risk is escalated, it is reassessed as to its impact on the achievement of objectives at that next level.

1.4. Escalation should be documented. It is important that all risks are recorded, where appropriate, in risk registers or risk action plans. Any escalation should be followed up with written or email documentation detailing the risk and retained. Office 365 can be used for this purpose as individual sites can be set up to specifically address this.