PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE
28 June 2017

Title: Risk Management Review

Report of: Claire Symonds, Chief Operating Officer

Open

Wards Affected: None

Key Decision: No

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Summary:
Strategic leadership of corporate risk management sets the tone for the whole risk management framework. This supports the expectation that effective management of risk becomes “part of the day job” underpinning day to day decision making, service delivery and ultimately delivery of outcomes and benefits for the community.

This report provides an update of the current position of Corporate Risks

Recommendation(s)

PAASC is recommended to note the summary position.

Reason(s):
Risk offers both significant potential positive and negative impacts on delivery and reputation, thus PAASC plays an essential role in assisting in the strategic leadership of corporate risk management, helping to set the tone for the whole risk management framework and assisting in the managing of a well run organisation.

1 Background

1.1 Risk offers both significant potential positive and negative impacts on delivery and reputation, thus PAASC provides strategic leadership of corporate risk management, setting the tone for the whole risk management framework.

1.2 Risk management is not a panacea to problems in its own right, but a sound management technique that is an essential part of any successful organisation. Emphasis needs to be on the significant benefits from operating good risk management rather than the process itself.

1.3 It follows that a key organisational challenge facing the Council is embedding risk as part of the organisation’s decision making process both in day to day operational situations and at the strategic level.
2 A summary of the current position of Corporate Risks (Appendix A)

2.1 Since the last report to PAASC there is now a total of 28 Corporate Risks, comprising of 3 Red risks, 22 Amber risks and 1 Green risk and 2 risks are being reviewed as detailed below.

2.2 Current Risks that are under review for amendment by the relevant areas are in the following sections:

Transformation
- T 01 Transformational Restructure Risks – These were risks associated with A2020 and are now incorporated into the management of other Corporate Risks, other strategic risks dealing with the council’s transformation are being formulated and will be presented in the next Risk report to PAASC.

Welfare Reform, Public Health and Social Care
- WR 01 Public Health – This risk is no longer relevant in this form, other risks associated with Public Health are being considered with Health partners and will be presented when agreed with them.

2.3 The Added Risk is:
- FS 07 Adequacy of Council Reserves – Rated as High Medium Amber Risk, Critical Impact (3) and Significant Probability (4). This risk has been RAG rated at this level due to overspends on Public Realm, Homelessness, shortfall on Penalty Charge Notice income, risks in delivering the Children’s Care and Support savings which may require a further draw down on reserves in 2017/18. This will impact on the Council’s ability to maintain the minimum threshold of £15m of reserves which was agreed with the Council’s auditors. In addition to the overspends, there are also risks on the non-delivery of savings proposals.

2.4 The Red risks, whose mitigation are set out in their Risk Action Plans, are under:

Statutory Responsibilities
- SR 01 Death of a Child – Rated as a low Red as the Impact of this risk could be Catastrophic (4) but the Probability is seen as Low (3). This is due to the many checks and balances in place to ensure the risk is managed as far as possible in all areas of the council where this may occur.

Welfare Reform & Social Care
- WR 02 Cost of Remand Care - Rated as a low Red as the Impact of this risk could be Catastrophic (4) but the Probability is seen as Low (3). This is due to the many checks and balances in place to ensure the risk to the budget is managed as far as possible.

Technology
- IT 02 Information Assurance - A recent drive on Managing Information has seen high percentage of staff complete the required training. Despite the raised profile of this risk, given the increased pressures on services, this is still
a Low Red risk due to the consequences of a breach both monetary and reputationally.

2.5 Of the 22 Amber Risks, 1 risk in the Commissioning Category, C 01 – Contract Management, has increased from a Marginal Impact score (2) to a Critical Impact score (3) due to the increase in commissioning and contract activity being undertaken, although the Probability score has remained Low (3).

2.6 11 Amber risks have decreased from their initial ratings due to either a change in the impact perceived they may have on the organisation, or in the probability they may occur given the level of mitigation in place to manage them, or a combination of both.

2.7 The Green risk is:
   • FS 05 Customer Demand

2.8 Corporate Manslaughter (SR 07)
Following on from the terrible fire at Grenfell Towers in West Kensington, there is a possibility, once the inquiry is completed, that there may be charges brought for Corporate Manslaughter against either the management company, local authority, installation company of the Insulation cladding, the manufacturer, or all of them for possible breaches of the Health & Safety/Fire Regulations. In relation to this risk, a review of procedures with regards to high rise blocks at LBBD has taken place. The outcome of this review which took place on 14th June 2017 is that there is a rigorous documented regime of annual inspections of high rise blocks, as well as close working with the LFB. All inspections are up to date but it has been decided that where those inspections are greater than 3 months old they will be revisited to give added assurance.

3. Emerging Risks

3.1 During the Corporate Risk Review it became apparent that there were new risks that required consideration. CAG are considering the following areas for clarification and possible inclusion on the Corporate Risk Register (CRR)

   • The move to a Commissioning Council means that there is a possibility that the commissioning model may not deliver the savings/efficiencies in the required timeframes, including the need to ensure the relevant commercial experience in house. The Council has now created commissioning posts across its leadership team, to develop mandates and plans, however, the mandates and plans will take time to develop.

   • There are a number of arms length organisations being set up by the Council: Traded Services, Be First and the School Improvement Partnership. There are risks around the profitability and success of these companies being able to effectively deliver the profits required against the Council’s Medium Term Financial Strategy. The Council will need to be properly resourced to contract manage and the arms length organisations.

   • The Council is currently setting up Community Solutions, which is a front door early intervention service, providing advocacy support advice prior to effectively manage down demand for expensive care and support services.
The success of this service is important to reducing costs and delivering demand led savings across the Council.

- Impact to the Council both monetary and for Staff, if Trading/commissioning Services fail and have to be brought back in house such as the looming possible return of services managed by the ending of the Elevate Contract (Lack of an exit strategy in Commissioning plans and company agreements)
- The impact of Brexit - the failure of the Government to continue or to implement replacement funding/grants for those lost from the EU. Although the Prime Minister has recently announced the “end of austerity”, the impact of Brexit on Local Government is unknown still. Inflation is now at a 10 year high and this is likely to impact on the cost of the services currently commissioned by the Council.

3.2 The Council will be closely monitoring and reviewing these developing risks on a quarterly basis.

4 Financial Implications

Implications completed by: Katherine Heffernan, Group Manager Customer Commercial and Service Delivery

4.1 The Risk & Insurance team is fully funded and there are no additional financial implications arising directly from this report. Robust risk management can prevent financial loss to the Authority.

5 Legal Implications

Implications completed by: Dr. Paul Field, Senior Governance Lawyer

5.1 To reiterate the main body text of this report, risk management is a key role for the organisation across the board for Members, Chief Officers and the teams. In particular, local authorities have a specific leadership role to be prepared and able to take action under the Civil Contingencies Act 2004.

5.2 Furthermore, if a risk is identified and reasonable measures are not taken to mitigate its likelihood of occurrence and if it is unpreventable, such as for example a major natural disaster like the Thames flooding or say that a tree on the highway was dangerously leaning over, then there could be legal liability for negligence and reputational damage in not having taken steps to reduce the risk of occurrence and magnitude of an event so as to minimise actual loss and potential claims for compensation. To carry out risk assessments is therefore a core activity for management.

6 Customer Impact

None

7 Recommendations

7.1 PAASC is asked to:

- Note the summary position of the Corporate Risks
8 The following documents were used in the preparation of this report

8.1 None

9 Appendices
9.1 Appendix A - Summary Corporate Risk Dashboard