



Risk Management Annual Report 2022-23

1. Background

- 1.1 Risk is inherent in running any business – understanding those risks and knowing how much risk to take is often the difference between success and failure. Many high-profile failures in organisational governance have shone a light on Risk Management and heightened the expectations on senior management for not only understanding and approving Risk Management processes, but also identifying and assessing key risks. This has led to the practice of Risk Management evolving into a more fully developed, integrated process in which senior management, directorates, service managers and the risk team all have distinctly defined roles – this approach has informed the Risk Management strategy at the Council.
- 1.2 The Accounts and Audit Regulations 2015 require that a relevant authority must ensure that it has a sound system of internal control which:
 - a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensures that the financial and operational management of the authority is effective; and
 - c) includes effective arrangements for the management of risk.
- 1.3 The terms of reference of the Audit Committee state that the committee has responsibility for providing independent assurance for Members over the adequacy of the Risk Management framework and the internal control environment. It is responsible for monitoring the effective development and operation of Risk Management in the Council and progress in addressing risk-related issues reported to the committee.
- 1.4 This report summarises the Risk Management activity undertaken during 2022-23 and supports the Audit Committee in discharging its responsibilities.

2. Risk Management Strategy

- 2.1 Management has articulated a 5-year Risk Management strategy that was updated and ratified by CLT and the Audit Committee during 2020-21. The strategy sets out a formal and structured approach to identifying, assessing, managing, and reporting risk within the Council and describes six objectives:
 - 1) Ensure that Risk Management effectively supports corporate governance arrangements in the Council
 - 2) Maintain and Improve leadership and collaboration of Risk Management activity across the Council
 - 3) Integrate Risk Management into the culture of the Council as well as into its key management processes, programmes, projects, performance, and financial management
 - 4) Ensure that the Risk Management process for identifying, evaluating, controlling, reviewing, reporting, and communicating risks across the Council is in line with best practice, consistently applied, understood, and owned by all staff
 - 5) Ensure that the Corporate Leadership Team, Directorate leadership teams, Audit Committee, Mayors Advisory Board, external regulators, and other stakeholders obtain necessary assurance that the Council is managing and mitigating its risks effectively
 - 6) Continuously improve Risk Management through learning and experience and actively communicate the LBTH Risk Management approach to all employees and stakeholders.

3. Roles and Responsibilities

3.1 Effective Risk Management is a key responsibility of staff and managers across the Council. Group and individual responsibilities are summarised below:

Audit Committee

- Provide independent assurance for Members over the adequacy of the Risk Management framework
- Monitor the effective development and operation of Risk Management in the Council and progress in addressing risk-related issues reported to the committee

Corporate Leadership Team

- Overall accountability for Risk Management and the risk appetite across the Council including ensuring the Corporate Risk Register is a live and up to date record of the current risk exposure
- Set the tone for Risk Management, promote the benefits of effective Risk Management and lead by example in embedding the Risk Management framework
- Owns individual corporate risks (as delegated by the Chief Executive) and approves corporate risks when escalated from directorate management teams.

Directorate Leadership Teams

- Ensures the directorate and services are identifying and managing corporate, strategic, operational, project and partnership risks effectively.
- Take ownership for risks within their function and ensure risk registers are regularly discussed, reviewed, updated, and escalated as appropriate.
- Champions the benefits of effective Risk Management.

Risk Champions (One in each directorate)

- Promote, steer, and monitor Risk Management for their directorates
- Regularly discuss and review the corporate and directorate risk registers and associated risk reports

Risk Management Team (Part of Internal Audit, Risk & Anti-Fraud)

- Supports the Corporate and Directorate Leadership Teams to implement the Risk Management strategy, policies, and guidance.
- Develops and agrees plans with management to improve Risk Management across the Council.
- Develops Risk Management guidance and training and supports risk and control owners in delivering their role.
- Carries out ongoing reviews of Risk Management process, benchmarking, scrutiny, and challenge.
- Provides administration for the Council's Risk Management software (JCAD).

4. Risk Management Audit

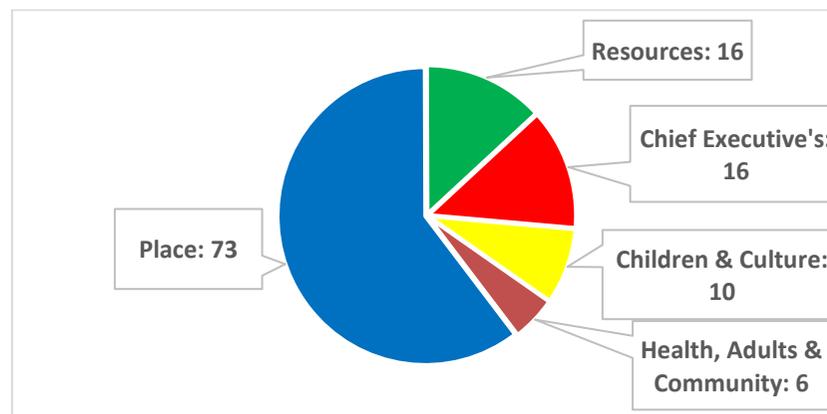
- 4.1 The Council's approach to Risk Management was audited in early 2020, with the outcome reported to CLT and the Audit Committee. The audit resulted in a spilt assurance opinion. The auditors assessed the design of the Council's approach to Risk Management as Substantial but its application/operation as Limited. Whilst the framework, strategy and procedures are well documented, compliance with these was variable across the Council and review and engagement with Risk Management by directorates required improvement. The report was presented to CLT in March 2020, and it gave its firm commitment to improve Risk Management across the Council.
- 4.2 The recommendations arising from the audit were accepted by CLT and an action plan was developed, and the majority of actions were completed, with the remainder carried forward into 2022-23. However, overall progress in addressing the outstanding actions has been slower than anticipated for several reasons including a lack of capacity and capability in Internal Audit to lead the process of facilitation and provide a suitable structure for engaging with DLTs and CLT. Specifically, the post of Risk Officer (located in the Internal Audit team) remains vacant and for most of 2022-23 there was no permanent Head of Internal Audit.
- 4.3 The current position at the Council is that Risk Management practices are established but not fully embedded and mature. Moreover, there are inconsistent levels of engagement in the underlying processes (reviewing risk articulation, updating controls, removing redundant risks), and consequently there is limited confidence that the underlying risk data held on JCAD is accurate and useful as a tool for managing risk.
- 4.4 It is important that the issues described above are addressed and proposed actions to improve the Council's risk maturity and related processes are included in Section 6 of this report.

5. Risk Management Activity during 2022-23 and Current Risk Profile

- 5.1 In March 2022, following the end of the Covid-19 pandemic Risk Management reverted to its BAU processes, which included
- Regular risk reporting to CLT (quarterly) and various DLTs (directorate risks) to identify actions, update and/or close out of date active risks and identify/articulate new risks
 - The Directorate risk registers for Place, Health Adults and Community, Children's and Culture, and Resources have all been subject to 'spotlight' reviews by CLT and the Audit Committee
 - The Audit Committee has been regularly presented with the Corporate Risk Register as well as each Directorate risk register on an agreed rolling timetable
 - The Joint Health and Safety Committee has continued to receive regular risk reports.
- 5.2 The Council's risks are primarily recorded, managed, and monitored using JCAD (the Council's Risk Management software). The system allows risk registers to be produced as well as individual risks to be managed.
- 5.3 A summary of the Council's current Corporate Risk Register is included at Appendix 1 to this report and the organisational Heat Map is shown at Appendix 2.

5.4 There are currently (as of 29th June 2023) 121 active risks recorded across the directorates and they can be further analysed as follows:

Chart 1 – Risks by Directorate



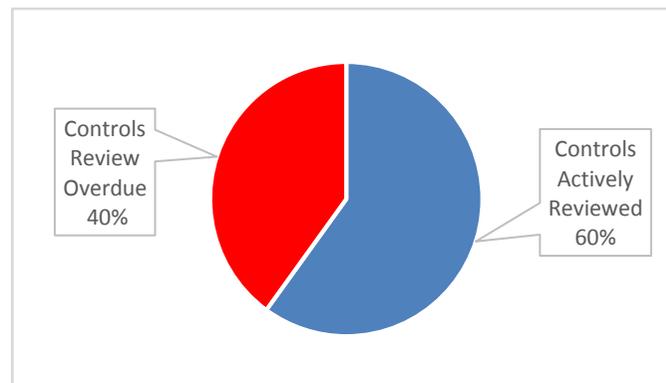
5.5 Risks are assessed based on likelihood and impact resulting in an overall score ranging from 2 to 25. The following table shows the average risk rating per directorate.

Chart 2 - Average Risk Rating by Directorate

Directorate	Average Risk Rating: 2022-23	Average Risk Rating: 2021-22	Average Risk Rating: 2020-21
Children and Culture	14	13	12
Health, Adults and Community	12	11	10
Place	10	10	11
Resources	10	13	10
Chief Executive's Office (previously Governance)	10	10	10

5.6 As noted, it is evident from the diagram below that not all mitigating controls recorded on JCAD are being reviewed and updated in a timely fashion

Chart 3 – Control Review Profile



6. Risk Management Annual Plan

6.1 Whilst not a statutory requirement, it is considered best practice to prepare a plan that outlines activity to continuously improve Risk Management. The actions below include some carried forward from the previous action plan that were agreed but have not been fully implemented:

- In her capacity as Deputy Chief Executive, the Corporate Director of Health, Adults and Community, will take on the role of Risk Champion for a limited period of time to review and refresh the overall arrangements for Risk Management
- Permanent recruitment to the post of Risk Officer to be initiated by Internal Audit during 2023
- Data held in JCAD to be reviewed in conjunction with DLTs and cleansed appropriately (e.g. to remove redundant risks, update user access etc)
- Provide annual Risk Management awareness/training to Divisional Leadership Teams and wider management groups across the authority through risk workshops, bespoke training, e-learning and drop in Risk Talks
- Refreshing and re-energising the Directorate Risk Champions network to support risk maturity across the Council and help to co-ordinate and support more periodic new risk identification exercises within each Directorate
- Review the functionality of JCAD and ensure it remains fit for purpose and useful in supporting the Council in managing its risks, sourcing an alternative if needed. This will include consideration of how other Councils have successfully utilised JCAD
- Enhanced quarterly reporting of the Corporate Risk Register to CLT to be implemented to include consideration of:
 - Decision-making on the addition/removal of individual risks to/from the Corporate Risk Register
 - Systematic horizon scanning to inform CLT discussion on new/emerging risks (e.g., regulatory, or technological developments)
 - Deep dives on individual risks from the Corporate Risk Register

7. Conclusion

- 7.1 Risk Management is a key feature of good governance and the Council's current approach relies on established processes and risk infrastructure. In practice, these arrangements are not fully embedded within the Council and need to be reinvigorated and enhanced to ensure that they are effective. The actions proposed in this report will be a key focus of improvement work during 2023-24.

#	Risk Reference	Risk Definition
1.	CSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There is an on-going need to ensure that services to all vulnerable children and young people have a focus on safeguarding and prevention of harm.
2.	CLSCCB0012	Major health and safety incident.
3.	RS0056	The Council may significantly overspend its budget, fail to deliver savings, and continue to rely on dwindling reserves. The Council is forecasting a balances position for the year, with underlying overspends and savings at risk of non-delivery, offset by the application of reserves including additional funds received during the COVID pandemic. Reserves remain robust but there is a risk that the Medium-Term Financial Strategy may require a significant draw down of reserves. Reserves can only be used once and therefore should not be used to plug permanent budget requirements.
4.	ORG0027	There is an ongoing risk of a cyber-attack and/or major loss of IT.
5.	RSB0023	There is a risk that the statement of accounts will receive a qualified opinion for 2020-21.
6.	ASD0015	Death or serious harm to a vulnerable adult who was or should have been, in receipt of services, either from the council or a partner agency.
7.	PLC0013	Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety.
8.	ASD0038	There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012 and therefore failing to meet the Code of Practice compiled under that Act by the Home Office Surveillance Camera Commissioner (SCC) for the operation of video surveillance systems. The Council may also fail to meet the requirements of the Data Protection Act 2018 related to the use and management of video surveillance systems.
9.	ASD0047	There is a risk of a significant health impact on the community in the short, medium, and long-term from Covid-19 alongside seasonal flu and in the context of a challenging Winter period and cost of living crisis.
10.	COVID0001	Risk to essential service delivery, the workforce and public safety as a result of the coronavirus and variants of concern.
11.	DRCPCD00 62	Town Hall - delay with completion impacting fit out and moves programme.
12.	ORG0026	There is a risk the Council will be unable to deliver critical and essential services.
13.	PLC0023	Failure to prepare and take action in relation to the proposed Building Safety Bill.
14.	ICT0081	Exploitation of supply chain security vulnerability impacting vendors/partners/services.

