RISK MANAGEMENT ANNUAL REPORT

2022/23

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HILLINGDON
LONDON

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1. INTRODUCTION

1.1 Hillingdon Council has a statutory responsibility to ensure arrangements are in place for managing risks. Risk management is about managing opportunities and threats to objectives and in doing so help create an environment of "no surprises". It is a crucial element of good management and a key part of corporate governance. Although risks can never be entirely eliminated, proportionate and targeted action can be taken to reduce risks to an acceptable level.

1.3 Managing risk should be viewed as a mainstream activity and something that is an integral part of everyday management. Risk Management 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. The Council's Risk Management Policy provides a framework to ensure:

- Clear accountabilities and well defined roles and responsibilities for managing risks
- Risks are promptly identified and their likelihood and impact on Council business is accurately assessed and appropriate action is taken to mitigate the potential risk
- Employees have the knowledge and skills to identify and manage risks
- Decisions are taken having considered relevant risks
- The impact of risk management is evaluated

2. ROLE OF RISK MANAGEMENT

2.1 All Council Members and employees have a role in relation to embedding effective risk management, these include:

- Incorporate risk management into service improvement and everyday management arrangements such as service and financial planning;
- Identify, assess and manage risks so as to minimise the potential costs and disruption to services caused by undesired events;
- Make informed decisions based on a balance between risk and the benefits that may be realised from opportunities for service improvement;
- Encourage innovation and improvement through taking calculated and well managed risks to improve services for residents;
- Raise employee awareness of risk management through promotion, training, performance management and review;
- Work in partnership to manage risks.

2.2 For further info about the Framework please refer to the Council's Risk Management Policy 2020-23.

2.3 The Council's approach to risk management requires managers and staff to undertake the following steps illustrated below:

3. EMBEDDING EFFECTIVE RISK MANAGEMENT IN 2022/23

3.1 This section of the report describes some of the key ways risk management is promoted and embedded throughout the Council during 2022/23.

3.2 Training

3.2.1 All managers are required to complete the e-learning risk management module. During 2022/23 this was added to the mandatory induction checklist for new managers. A refresher training module is also in place and can be accessed at any time through the e-learning platform. The purpose of the e-learning module is to support the development of a robust approach to risk management within the Council.

3.2.2 Training on risk management for elected Members and the Independent Chair of the Audit Committee is facilitated by Internal Audit and is included as part of the Training and Development Plan for Audit Committee Members that is co-ordinated by Democratic Services. In addition, during 2022-23 training was provided to the Senior Management Teams across the Council.

3.3 Risk Champions

3.3.1 Each Directorate has a risk champion representing their Directorate who will help and assist in the risk management process, giving support, advice and guidance on best practice developments in risk management. Their roles include promoting risk management within their Directorate to ensure that it is being applied consistently, and ensuring there is appropriate reporting to Senior Management Teams (SMTs) and the Corporate Risk Management Group (CRMG).

3.4 Risk Scoring Methodology

3.4.1 Risk owners must use the Council's Risk Scoring Methodology to assess a risk. The assessment of a risk is based on a combined score from the likelihood of the risk occurring and the impact in the event that the risk is fully realised. The risk scoring methodology shows the risk criteria in use to guide managers when assessing the likelihood/impact of the risk and the score the assessment will produce.

3.5 Corporate Governance of Risk Management

3.5.1 Following the appointment of a new Leader of the Council in 2021 a new Cabinet was put in place, a new Interim Chief Executive was appointed, and a restructure of senior management and directorates undertaken. This included the development of the Council's Strategy (2022-2026), which was presented to Cabinet in July 2022. The Council's Constitution has been remodelled and modernised to meet emerging risks and changing needs locally and to encompass new national legislation.

3.6 Internal Audit

3.6.1 A new 3-year IA strategy reflects the new environment, risk landscape, emerging risks and to take account of the significant transformation agenda that is required. The strategy provides structure and objectives for the next 3 years. It will help the IA team support the Council with their strategic priorities and help drive an improved, modern IA service.

3.6.2 It is vital for the organisation to have a comprehensive IA Plan which gives sufficient risk-based coverage and support to management. To help meet this need, the risk-based IA Plan for 2023/24 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework. Further, scheduled audits detailed in the IA Plan are mapped against the risks on the Corporate Risk Register.

3.6.3 Internal Audit continues to communicate key findings from Limited and Nil assurance IA reports to CRMG for discussion. This enables current weaknesses to be considered as part of the review of the Corporate and Directorate Risk Registers.

3.7 Counter Fraud

3.7.1 Counter Fraud continues to adopt a risk-based approach to identify the highest risks when risk assessing fraud referrals and this commitment is set out in the Council's Counter Fraud Strategic Plan. Each fraud referral is assessed based on its systemic, financial, reputational and operational risk to the Council to enable appropriate allocation.

3.7.2 This approach is underpinned by the Council's Fraud Universe and fraud risk register. The Fraud Universe is regularly reviewed in collaboration with key stakeholders to enable the team to adapt to any emerging risks. As part of the commitment to creating a stronger counter fraud culture, a program of Fraud Awareness is being delivered across the organisation and externally, which includes the use of social media.

4. CORPORATE RISK REGISTER (CRR)

4.1 The Council's Corporate Risk Register (CRR) is an essential part of the Local Authority's Risk Management arrangements. The CRR documents any risks which are graded 'red' due to their potential likelihood and impact, or are considered more strategic and could affect the longer term strategy of the Council.

4.2 The CRR is presented to the Corporate Management Team (CMT), CRMG and the Audit Committee quarterly to evidence how the identified risks are being managed and what mitigating actions are being implemented.

4.3 Directorate Risk Registers (DRR) are used for risks which are specific to a Directorate (see Appendix C). These are reviewed by the respective Senior Management Team (SMT) at least quarterly to assess whether the risk could have a significant effect on service delivery and planned priorities. Any significant risks are then escalated to the CRR.

4.4 Analysis of Corporate Risk Register

Number of Corporate Risks brought forward from 2021/22	11
Number of **new** Corporate Risks in 2022/23	1
Number of **retired** Corporate Risks in 2022/23	2
Number of Corporate Risks where the Risk Scores have **increased**	2
Number of Corporate Risks where the Risk Scores have **decreased**	0
Number of Corporate Risks where the Risk Scores have **remained static**	8
Total Number of Corporate Risks in 2022/23	**10**

CRR Risk:	Q1	Q2	Q3	Q4
1. Heathrow	Static E1	Static E1	Static E1	Static E1
2. Housing Needs	Static B2	Static B2	Deteriorating A1	Static A1
3. Children's Demand Asylum & Trafficked	Static B3	Static B3	Static B3	Static B3
4. Litigation	Static B3	Retired		
5. Budget	Static C1	Static C1	Static C1	Static C1
6. Suppliers	Static C2	Static C2	Static C2	Static C2
7. School Places	Static D2	Deteriorating C1	Static C1	Static C1
8. GDPR	Static D1	Static D1	Static D1	Static D1
9. Cyber Security	Static C1	Static C1	Static C1	Static C1
10. Schools Grant	Static E1	Static E1	Static E1	Static E1
11. Coronavirus	Static C2	Static C2	Static C2	Retired
12. Inflation	New Risk C1	Static C1	Static C1	Static C1

5. 2023/24 FORWARD PLAN

5.1 Move to 'Risk Defined'

5.1.1 The Chartered Institute for Internal Audit's Risk Maturity Model is a benchmarking tool to assess the Council's organisation's risk maturity. In accordance with this model our current risk maturity level is **'Risk Aware',** the second of the five maturity levels.

5.1.2 It is an aspiration to develop the organisation's risk maturity to the next level of **'Risk Defined'** in alignment with the ongoing transformation programme and recently refreshed Council Strategy. An independent audit of the risk management process is currently being undertaken to inform and support the development of the planned work programme.

5.1.3 Scoping work is underway to assess the benefits of implementing a Risk Management System (linked to Oracle). This will support the facilitation of live risk registers (embedding risk management in daily activity, ensuring risk updates are more contemporaneous.

5.1.4 In addition to this, the risk register is being developed to map the Council's objectives to risks, include both inherent and residual risk ratings and a target risk rating to establish the appetite for each risk.

APPENDIX A: CORPORATE GOVERNANCE OF RISK MANAGEMENT

Governance Functions:

FULL COUNCIL
Receive and consider the Cabinet annual risk reports.

CABINET
Report to Full Council annually on significant risks as part of the Annual Budget Report.

THE LEADER OF THE COUNCIL
Review the significant risks (Corporate or Cross cutting risks) quarterly and provide feedback to officers as appropriate.

PORTFOLIO HOLDERS
Each Director to review their Directorate Risk Register (including related Corporate or Cross cutting risks) with the relevant Cabinet Member/s at least quarterly.

Executive Functions:

CORPORATE MANAGEMENT TEAM
Review the significant risks quarterly and provide any updates to the Leader of the Council or relevant portfolio holder.

CORPORATE RISK MANAGEMENT GROUP (CRMG)
Review the significant risks quarterly, reporting to CMT. Communicate and action any feedback from CMT, the Leader of the Council, or Audit Committee

SENIOR MANAGEMENT TEAM (SMT)
Ensure Risk Registers are up-to date/accurate/capture the key risks
Consider any significant Directorate risk for inclusion in the Corporate Risk Register

Assurance Functions:

AUDIT COMMITTEE
Review the Risk Assurance reports and report to Full Council annually on the effectiveness of the risk management process.

RISK ASSURANCE TEAM
Provide independent assurance on the effectiveness of the Council's risk management process and the controls in place to mitigate risks.

APPENDIX B – DIRECTORATE RISK REGISTERS (as at 31 March 2023)

CENTRAL SERVICES

Risk	Summary Risk Description	DoT	Rating
(1)	Public Sector Equality Duty	Static	D3
(2)	Managing resident access (telephone, website & face-to-face)	Static	E3
(3)	Network Resilience and ICT Disaster Recovery	Static	D2
(4)	Staff Retention	Static	C3
(5)	Recruitment	Static	B3

DoT *= Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD	**Very High (A)**				
	High (B)		**(5)**		
	Significant (C)		**(4)**		
	Medium (D)		**(1)**	**(3)**	
	Low (E)		**(2)**		
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
		IMPACT			

PLACE

Risk	Summary Risk Description	DoT	Rating
(1)	Rent Arrears	Static	A3
(2)	Flood and Water Management Act (FWMA) 2010 and the Flood	Static	D4
(3)	Tree inspections	Static	C3
(4)	Building Safety	Static	E2
(5)	Capital Programmes	Static	C2
(6)	Increase in "Prevent" Activity	Static	E3

DoT *= Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD	**Very High (A)**		**(1)**		
	High (B)				
	Significant (C)		**(3)**	**(5)**	
	Medium (D)	**(2)**			
	Low (E)		**(6)**	**(4)**	
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
		IMPACT			

FINANCE DIRECTORATE RISK REGISTER

Risk	Summary Risk Description	DoT	Rating
(1)	Security of investments, particularly bank deposits	Static	**E1**
(2)	Outstanding Municipal Mutual Insurance claims	Static	**E3**
(3)	Impact of Business Rates Retention	Static	**D2**
(4)	Maintained schools funding	Static	**D1**
(5)	Impact of Council Tax Reduction Scheme & Council Tax Collection Rates	Static	**D2**
(6)	Financial Assessments and ASC debtors	Static	**D2**
(7)	Fuel	Static	**C2**
(8)	Litigation Claims	Static	**D3**
(9)	Increased own property damage claims due to subsidence.	Static	**D3**
(10)	Increased levels of fraud	Static	**B1**
(11)	Benefit Subsidy	*New*	**C4**

DoT *= Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD	**Very High (A)**				
	High (B)				**(10)**
	Significant (C)	**(11)**		**(7)**	
	Medium (D)		**(8) (9)**	**(3) (5) (6)**	**(4)**
	Low (E)		**(2)**		**(1)**
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
		IMPACT			

ADULT SOCIAL CARE DIRECTORATE RISK REGISTER

Risk	Summary Risk Description	DoT	Rating
(1)	Adult Care Providers (Quality of Care)	Static	D3
(2)	Home to School Transport	Static	B2
(3)	Community DOL	Static	E3
(4)	Demand on Adult Social Care (ASC) budgets	Static	C2
(5)	Mobile Response Service	Static	C3
(6)	Viability of Care Providers	Static	D3

***DoT** = Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD	**Very High (A)**				
	High (B)			**(2)**	
	Significant (C)		**(5)**	**(4)**	
	Medium (D)		**(1) (6)**		
	Low (E)		**(3)**		
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
		IMPACT			

CHILDREN AND YOUNG PEOPLE DIRECTORATE RISK REGISTER

Risk	Summary Risk Description	DoT	Rating
(1)	Increase in demand (Children Social Care)	Static	B3
(2)	Youth violence and knife crime	Static	E2
(3)	A further Ofsted Inspection of Children's Services (ILACS)	Static	D4
(4)	Timeliness of Education Health and Care Needs Assessments	Static	D3
(5)	High Needs SEN placements	Static	D3
(6)	Adolescent placements	Deteriorating	C2
(7)	School Redundancies and Settlements	Static	D3
(8)	Children Missing in Education	Static	C2

DoT *= Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD	**Very High (A)**				
	High (B)		**(1)**		
	Significant (C)			**(6) (8)**	
	Medium (D)	**(3)**	**(4) (5) (7)**		
	Low (E)			**(2)**	
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
		IMPACT			