

Committee	Dated:
Finance Committee	17 February 2015
Subject: Finance Committee – Risk Management	Public
Report of: Chamberlain	For Information

Summary

This report has been produced to provide Finance Committee with assurance that risk management procedures in place within the Chamberlain's department are satisfactory and that they meet the requirements of the corporate Risk Management Framework.

Risk is reviewed regularly by the departmental Senior Management Team as part of the ongoing management of the operations of the Chamberlain's department. In addition to the flexibility for emerging risks to be raised as they are identified, a process exists for in-depth periodic review of the risk register.

The Chamberlain's department have identified 2 corporate risks and 5 departmental risks. The most significant risks are:

- CHB29 – Police IS Service Provision (Current Risk: **RED**) – NEW
- CHB31 – Oracle ERP Programme Delivery (Current Risk: **RED**) – NEW
- CR14 – Funding Reduction (Current Risk: **RED**)
- CHB12 – Oracle ERP Benefits Realisation (Current Risk: **AMBER**)
- CR16 – Information Security (Current Risk: **AMBER**)
- CHB26 – PSN Compliance (Current Risk: **AMBER**)

Recommendation

Members are asked to note the report and the actions taken in the Chamberlain's department to monitor and manage effectively risks arising from our operations.

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Audit and Risk Management Committee has requested that such risks should be reported at a Committee level.

Current Position

2. This report provides an update of the key risks that exist in relation to the operations of the Chamberlain's department and, therefore, Finance Committee. The report also outlines the processes adopted for the ongoing review of risk and mitigating actions.

Risk Management Process

3. Chamberlain's risk management is a standing agenda item at the monthly Departmental Senior Management Team (SMT) meeting, over and above the suggested quarterly review. SMT receives the risk register for review, together with a briefing note highlighting any changes since the previous review. Consideration is also given as to whether any emerging risks exist for inclusion in the risk register as part of Divisional updates on key issues from each of the Directors, ensuring that adequate consideration is given to operational risk.
4. Between each SMT meeting, risk and control owners are consulted regarding the risks for which they are responsible, with updates captured accordingly.
5. Regular risk management update reports are provided to Finance Committee in accordance with the City's Risk Management Framework.
6. Many operational IS related risks are within the remit of our partner, Agilisys, captured using their own "house" approach, with the significant risks transferred to our departmental risk register.

Identification of New Risks

7. New and emerging risks are identified through a number of channels, the main being:
 - Directly by SMT as part of the monthly review process.
 - In response to regular review of delivery of the departmental Business Plan; slippage against key deliverables, for example.
 - Annual, fundamental, risk register review, undertaken by the tier of management below SMT in a workshop format, scheduled for 4 March 2015.

The risk register may be refreshed over and above the stated process for review and oversight, in response to emerging issues or changing circumstances.

8. The following risks have been added to the Chamberlain's risk register since the previous report to Finance Committee, summarised in more detail at paragraph 10:
 - CHB29 – Police IS Service Provision (Current Risk: **RED**)
 - CHB31 – Oracle ERP Programme Delivery (Current Risk: **RED**)

Two risks have been closed:

- CHB19 – Valuation Office Agency Amendments (**AMBER**)

- CHB27 – Remote Access to CoL Network (AMBER)

Summary of Key Risks

9. The Chamberlain's department is responsible for two Corporate Risks, summarised below, both are reviewed and reported regularly to Audit and Risk Management Committee:

CR14 – Funding Reduction (Current Risk: RED)

CR14 describes the impact of future funding reduction on the financial viability of the City Corporation, specifically, known reductions to funding in 2015/16 and anticipated further reductions. For example, we are forecasting that the Revenue Support Grant element of our funding will drop to zero by 2020. Following the service based review and inclusion of these savings in budget estimates, the City Fund (non-Police) remains in balance or close to breakeven across the period. For City Fund (Police), deficits are forecast across the period with draw down of reserves. The Commissioner is currently drawing up saving proposals that will be available before the summer recess, the strategy of draw down on reserves is as planned, however the extent of draw down is more than expected. City's Cash and Bridge House Estates are in a healthy financial position across the medium term. The risk is expected to reduce from RED to AMBER following approval of the 2015/16 budget and Medium Term Financial Strategy and, subsequently, as savings proposals are implemented, this risk will ultimately reduce further to GREEN.

There are risks around the implementation of the saving proposals and the achievement of savings will be monitored by the Efficiency and Performance Sub Committee on a regular basis.

CR16 – Information Security (Current Risk: AMBER)

Loss of personal or commercial information may result in major reputational damage to the City Corporation and possible sanction from the Information Commissioner, including a financial penalty of up to £500,000.

This risk is mitigated through regular organisation wide communications and the provision of mandatory training to all staff; a major campaign has been undertaken in January and early February to ensure completion of the e-learning modules in support of this. While the Chamberlain is the risk owner, mitigating controls are owned by many colleagues; the Deputy Town Clerk, Director of Corporate HR, Information Officer (Town Clerk's) and Chief Information Officer. Chamberlain's department are responsible for managing the cyber security and technology aspects of this risk and has recently appointed a Technical Solutions Officer to review and refresh arrangements in this regard.

10. The Chamberlain's departmental risk Register, attached as Appendix 1 to this report, includes 2 RED risks, 2 AMBER risks and 1 GREEN risk:

CHB29 – Police IS Service Provision (Current Risk: RED)

Critical failure of the Police IS Service, leading to loss of communications or operational effectiveness.

This is a new risk to the Chamberlain's Department with the adoption of responsibility for the Police IS service. While the transition to the new operating model was successful, the infrastructure inherited has been poorly maintained, presenting a significant risk of failure.

CHB31 – Oracle ERP Programme Delivery (Current Risk: **RED**)

There is a risk that the programme will not deliver to planned timetable, added to reflect the Red RAG status of the programme.

CHB12 – Oracle ERP Benefits Realisation (Current Risk: **AMBER**)

Failure to deliver required efficiencies and future revenue savings as part of the major project to upgrade CBIS to Oracle R12 and the implementation of an Enterprise Resource Planning (ERP) system, consolidating other key systems and processes as appropriate.

CHB26 – PSN Compliance (Current Risk: **AMBER**)

Increased cost of maintaining connection to the Public Service Network (PSN) or possible disconnection in the event of non-compliance, arising as a result of increasingly demanding requirements.

CHB28 – IS Service Outage (Current Risk: **GREEN**)

Disruption to service delivery as a result of major information systems outage (e.g. network/technology infrastructure failure)

Conclusion

11. Members are asked to note that risk management processes within the Chamberlain's department adhere to the requirements of the City Corporation's Risk Management Framework. Risks identified within the operational and strategic responsibilities of the Chamberlain's Department are proactively managed.

Appendices

- Appendix 1 – Chamberlain's Department Risk Register Summary

Background Papers

Report to Finance Committee 27 May 2014: Chamberlain's Department Business Plan 2014-15

Report to Audit and Risk Management Committee 9 September 2014: Chamberlain's Department Risk Review

Report to Finance Committee 23 September 2014: Chamberlain's Department Business Plan Progress Report

Report to Finance Committee 18 November 2014: Chamberlain's Department Business Plan Progress Report

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