Committee:	Date:
Finance Committee	19 July 2016
Subject: Chamberlain's Department Risk Management – Quarterly Report	**Public**
Report of: Chamberlain	**For Information**
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Summary

This report has been produced to provide Finance Committee with an update on the management of risks faced by the Chamberlain's department.

Risk is reviewed regularly by the departmental Senior Leadership 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 currently has three corporate risks and four risks on the departmental risk register. The most significant risks are:

- **CR19 - IT Service Provision (**Current Status: **RED)**
- **CR16 – Information Security (**Current Status: **AMBER)**
- **CHB006 – IT Service Outage (**Current Status: **AMBER)**

The Senior Leadership Team continues to closely monitor progress being made on mitigating actions against these IT related risks. The primary focus of the team is on stabilisation, managing change on a risk assessed basis and prioritising activity. The more robust approach to change management will help lower the risk of interruptions in service. Furthermore, a fundamental review of all operational IT risks will focus on identifying interdependencies and ensuring risks are more clearly defined and managed in a holistic manner moving forwards. These risks are therefore expected to reduce steadily towards the target status of Green as these actions are completed.

- **CR14 – Funding Reduction (**Current Status: **AMBER)**

The Corporation has taken steps to ensure it has a sustainable medium term financial plan and this has been on track. However, the full impact of the Brexit vote is yet to be assessed: it could impact on government grants, rental and business rate income. It is not clear whether the Government will need to revise the current trajectory of cuts within public finances or whether the plans for business rate devolution within London are affected. The economic uncertainty underlines the importance of continuing to deliver the Service Based Review savings and of looking for further opportunities to secure improvements in efficiency for all funds through continuous improvement in the way the Corporation operates and organises itself. These ideas will be fed into an Efficiency Plan to be developed over the next few months.

Recommendation

Members are asked to note the report and the actions taken in the Chamberlain's department to monitor and effectively manage 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. Finance Committee has determined that it will receive the Chamberlain's risk register on a quarterly basis with update reports on RED rated risks at the intervening Committee meetings.

2. Chamberlain's risk management is a standing agenda item at the monthly Departmental Senior Leadership Team (SLT) meeting, over and above the suggested quarterly review. SLT 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.

3. Between each SLT meeting, risk and control owners are consulted regarding the risks for which they are responsible, with updates captured accordingly.

Current Position

4. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's department and, therefore, Finance Committee.

Identification of new /emerging risks

5. New and emerging risks are identified through a number of channels, the main being:

    *   directly by the Senior Leadership Team as part of the monthly review process

    *   following monthly review of progress against actions/milestones identified in the departmental Business Plan

    *   annual, fundamental review of the risk register, undertaken by the extended Senior Leadership team

Summary of Key Risks

6. The Chamberlain's department currently has three corporate risks and four risks on the departmental risk register, attached as Appendix 1 to this report, assessed as 1 RED risk and 6 AMBER risks. These are:

    *   **CR19 - IT Service Provision (Current Risk: Red – no change)**

        The primary focus of the team is on stabilisation, managing change on a risk assessed basis and prioritising activity. Work on the Police server migration to the

Infrastructure as a Service (IaaS) provision is taking longer than expected but is planned to be complete by the autumn. Deployment of devices under the Joint End User Device Renewal has continued but the pace is slower than originally planned to ensure the quality of the new devices meets user expectations. The more robust approach to change management will help lower the risk of interruptions in service. A fundamental review of all operational IT risks will focus on identifying interdependencies and ensuring risks are more clearly defined and managed in a holistic manner moving forwards.

However, we expect the risk in its current form to have reduced to Amber (6) by December 2016, followed by steady progress towards Green (4) over the following months. Progress will continue to be closely monitored and target dates will be reviewed by the Senior Leadership Team as necessary.

- **CR16 – Information Security (Current Risk: Amber –** no change**)**

Loss of personal or commercial information may result in major reputational damage to the City Corporation and possible sanction from the Information Commissioner. This risk includes the threat of a Cyber security attack, resulting in unauthorised access to City Corporation IT systems. While the Chief Information Officer is the risk owner, some mitigating controls are owned by Town Clerk's department. Chamberlain's department is responsible for managing the cyber security and technology aspects of this risk.

Actions to mitigate this risk are ongoing. An Information Security workshop for Members took place in spring 2016 and was well received. An online training package is expected to be available and promoted to Members by September 2016.

A Chief Officer Cyber workshop, delivered by Templar Executives, on 23 June, significantly raised awareness and helped to identify priority areas for action. There will be continued engagement throughout the summer to with a view to building a culture of information ownership both corporately and across departments. Work is well underway and Senior Information Asset Owners and Information Asset Owners have now been identified and communicated with in a number of departments.

The IT Division will work with departments from June –September 2016 on a storage reduction plan, starting with policy and guidance on appropriate use of shared drives.

- **CR14 – Funding Reduction (Current Risk: Amber –** no change**)**

The Corporation has taken steps to ensure it has a sustainable medium term financial plan and this has been on track. However, the full impact of the Brexit vote is yet to be assessed: it could impact on government grants, rental and business rate income. It is not clear whether the Government will need to revise the current trajectory of cuts within public finances or whether the plans for business rate devolution within London are affected. Although rental income and business rates income is forecast to grow in the short term, there are also potential risks in the medium term to these income streams if business occupation and rental levels within the City fall. The economic

uncertainty underlines the importance of continuing to deliver the Service Based Review savings and of looking for further opportunities to secure improvements in efficiency for all funds through continuous improvement in the way the Corporation operates and organises itself. These ideas will feed into an Efficiency Plan to be developed over the next few months and published as part of the deal to get certainty over local government grant over the next four years. For the Police Fund, the increase in the Business Rate Premium from April 2016 covers £1.6m of additional cost pressures relating to security, however, the underlying financial position remains challenging.

- **CHB002 – Oracle ERP Business Benefits (Current Risk: Amber –** no change**)**
  The upgrade to Oracle R12 and implementation of Oracle Property Manager secured organisational benefits through the consolidation of major systems; one billing system, one main property management system and the technology infrastructure to support this.

  The benefits realisation project is underway to identify any issues with realising direct operational benefits and make recommendations to address these. Analysis of feedback from the user community is in progress. This will be followed by an objective walkthrough of processes to identify inefficiencies, eg unnecessary hand-off between teams.

  A steering group of senior stakeholders has been established to oversee the delivery of the project and prioritisation of actions to secure further benefits, this piece of work is expected to conclude in September 2016, although, as with any system in steady state, ongoing support and development will include enhancement.

- **CHB006 – IT Service Outage (Current Risk: Amber –** no change**)**
  This risk relates to the disruption to service delivery as a result of major information systems outage (eg network/technology infrastructure failure). Steps have now been taken in the short term to minimise the single points of failure and increase resilience of the IT system, ahead of the transformation programmes being completed. The Head of IT has instigated a more detailed analysis of the infrastructure in place with a plan to build a more comprehensive view of the systems and services we have. This configuration information is forming part of a more robust approach to configuration and change management. Whilst this work is progressing the level of scrutiny around change has been increased to lower the risk of unplanned failures.

- **CHB008 – Resourcing (Current Risk: Amber –** no change**)**

  The status of this risk remains unchanged due to continuing challenges with recruitment to certain key posts in the department such as in IT, Procurement and Finance. The cause of this may be attributed to a possible growing gap between City of London Corporation's pay and reward package compared to other organisations making it difficult to recruit and retain staff across the department.

Work is now underway, in conjunction with HR, to fully understand the underlying issues and to benchmark COL terms with other comparable organisations. The Department's workforce plan for 2016/17 will also focus on improving succession planning and development of existing staff.

Establishment Committee recently agreed that a Market Forces Supplement Panel may approve supplements to salary up to set levels depending on the grade of the post. This should reduce delays in recruiting to key posts.

- **CHB011 – Corporate Contract management (Current Risk: Red** – no change)

This risk relates to the current absence of a clearly defined Corporate Contract Management policy and related procedures. This may result in strategic corporate contracts not being monitored and managed in a consistent and planned manner. The outcome of this could be that contracts may not deliver the commercial benefits and quality that were anticipated at contract letting together with the added risk of prices escalating and contract scope creep. To mitigate this risk, a number of actions have been identified including the launch of a City Contract Management framework, establishing a strategic and commercial contract management unit and training of staff on the newly developed contract management toolkit.

City Procurement is currently in the process of appointing a consultant to produce the draft Contract Management framework. A targeted approach has been introduced to identify key contracts, pending full implementation of the proposed new Contract Management regime. These contracts are being monitored in terms of particular risks such as finance, changes in performance and compliance with contract conditions such as payment of the Living Wage. Mitigating actions will be taken immediately by a Lead Contract manager on any issues that arise. This risk is expected to continue to reduce towards Green target status by April 2017.

Conclusion

7. Members are asked to note the actions taken to manage these departmental and corporate risks in relation to the operations of the Chamberlain's Department and the overall reducing level of current risk.

Appendices
- Appendix 1 Chamberlain's Department Detailed Risk Register
- Appendix 2 COL Risk Matrix – Committee version

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