

CORPORATE RISK REGISTER REVIEW – SEPTEMBER 2016.**AUDIT COMMITTEE
MEETING DATE 2016/17****21 September 2016****CLASSIFICATION:****Open****If exempt, the reason will be listed in the
main body of this report.****WARD(S) AFFECTED****All Wards****GROUP DIRECTOR****Ian Williams Group Director of Finance and Corporate Resources**

1. INTRODUCTION AND PURPOSE

- 1.1 This report updates members on the current Corporate Risk Register of the Council as at September 2016 (attached). It also identifies how risks within the Council are identified and managed throughout the financial year and our approach to embedding risk management.
- 1.2 This report assists the Committee in its role of overseeing corporate governance and is presented for information and comment.

2. RECOMMENDATION(S)

The Audit Committee is recommended:

- 2.1 **To note the contents of this report and the attached risk registers and controls in place.**

3. REASONS FOR DECISION

- 3.1 Risk management is fundamental to effective business management and it is vitally important that we know, understand and monitor the key risks and opportunities of the Council. Officers and members are then able to consider the potential impact of such risks and take appropriate actions to mitigate these as far as possible. Some risks are beyond the control of the Council but we nevertheless need to manage the potential impact or likelihood to ensure we deliver our key objectives to the best of our ability. For other risks, we might decide to accept that we are exposed to a small level of risk because to reduce that risk to nil is either impossible or too expensive. The risk management process helps us to make such judgements, and as such it is important that Audit Committee is aware of this.

4. BACKGROUND

The current Council risk profile was reviewed by the Hackney Management Team (HMT) on 2 August 2016. In discussions and meetings with Directorate Risk Champions, various Heads of Service/Directors and other managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to HMT. Numerous risks have changed or now exist in different circumstances compared to when last reviewed by Committee in January 2016.

4.1 Policy Context

All risk related reporting is in line with the Council's Risk Policy, ratified biennially by Audit Committee, and also fully supports the framework and ideology set out in the Risk Strategy.

4.2 Equality Impact Assessment

For the purposes of this report, an Equality Impact Assessment is not applicable, although in the course of Risk Management (and associated duties) all work is carried out in adherence to the Council's Equality policies.

4.3 Sustainability

This report contains no new impacts on the physical and social environment.

4.4 Consultations

In order for Risk Registers to progress to Committee, they will already have been reviewed by the relevant Senior Management Team within the corresponding Directorate, or at overall Council level. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

4.5 Risk Assessment

The relevant Risk Register is attached in Appendix one.

5. CORPORATE RISK REVIEW

5.1 The Corporate Risk Register comprises risks that cut across the Council's Directorates, which could potentially impact on overall strategic objectives.

5.2 The contents of the attached register tend to focus on the more negative, potentially threatening sides of risk to the Council – looking at the consequences that might happen if a particular event occurs. However, with risk management there is often an opportunity connected with a potential risk where an upside can be exploited. This is referred to explicitly in the Council's Risk Strategy where it is stated: "*if we focus on opportunities when assessing the merits of different possible solutions, this often allows us to look at bolder, more creative or innovative solutions - essentially to take greater risks, but calculated risks.*" In the case of the Council, there have been situations (as referred to in the Risk Register) where potentially negative events like funding cuts have occurred, or new legislation has been issued. In fact, this has often led to improved efficiencies, and has served as an opportunity to sometimes streamline services, and encourage new and more effective approaches to an area of work. It should be stressed that the Council, in managing risks, strives to look for this positive angle within risk management.

5.3 The main changes to note from last year's register are:

- Risk 1 – National and International Economic Downturn
This risk has now evolved quite significantly since it was first included on the Corporate Risk Register, but it remains critical.

The previous Coalition Government put in place a series of measures that it felt would position the UK economy strongly to mitigate the impact of the current financial problems, and the new Conservative Government are continuing this, with further proposed welfare cuts, and other cuts in a variety of areas. The Council have a further c.£30m of efficiency savings to achieve by 2019/20 and this presents a

significant challenge. HMT endorsed the view that these ongoing economic circumstances, which look set to continue (compounded by Brexit), still represent a major threat to the Council achieving all of its objectives.

- Risk 1b – Impact of BREXIT vote
This decision is of such national consequence that it was immediately decided that a whole new risk register should be drafted to outline the potential impacts of this decision, which are very far reaching. The EU Referendum result also influences a number of other risks on this register such as New Legislation and Pensions (and the impact Brexit may have on them.)
- Risk 18 & 18b– Workforce and recruitment
Another risk resulting from austerity measures is the impact it is having on staffing levels and accompanying restructures. This could clearly impact on efficiency levels. In 2016, there continues to be changes and restructures around the Council including the Senior Management restructure completed in April.

In addition, to meeting the financial challenges ahead it will be necessary for the Council to have a more agile workforce and not one constrained by traditional custom and practices. The Council will also need to compete with other organisations to get the best candidates, so pressure will be put on increasing salaries (or offering salary supplements in areas like ICT) which may be difficult with limited resources. These challenges present some serious risks.

- Risk 20 – Information Management & 20b – Resilience of Systems
There are multiple IT risks at both Service and Directorate level on a wide range of issues. The Information Management risk remains critical, but another two ICT risks have been escalated to Corporate Level, reflecting the severity of their potential impact. From a resilience and disaster recovery perspective, the loss of the external data centre is included as a risk, with appropriate mitigations. There is also a strong ICT element to the previous recruitment risk, as problems with recruiting for specific IT roles have been acutely felt.
- Risk 23 - Person suffers significant harm
This risk related to child welfare initially but after discussion at HMT was broadened to encompass all persons at risk in the Borough (including Council staff), and the safeguarding steps the Directorates are taking to protect them.
- Risk 24 – Devolution
This risk was escalated to the Corporate Risk Register just before the last Committee and remains as an opportunity to take advantage of potential benefits that Devolution may offer.
- Risk 25 – Contract Management (and the potential of fraud)
This has been proposed as another new risk reflecting the increasingly important and successful work undertaken by the Proactive Anti-Fraud Team and the issues they are tackling.
- Risk 27 – Schools
This risk was escalated to the Corporate Risk Register after HMT requested its inclusion. It reflects the perceived impact of the Education Bill and also what the future academisation of schools may mean for local authorities.

6. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 6.1 Effective risk management is a key requirement for good financial management and stability. This becomes more significant as funds available to the Council are reduced and budget reductions are made.
- 6.2 The Directorate seeks to mitigate risks as they are identified. In some instances, where there are volatile external factors and uncertainty, this will be through seeking access to reserves maintained by the Corporate Director of Finance and Resources.
- 6.3 There are no direct costs arising from this report.

7. COMMENTS OF THE DIRECTOR OF LEGAL SERVICES

- 7.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This Report is part of those arrangements and is designed to ensure that the appropriate controls are effective.
- 7.2 There are no immediate legal implications arising from this report.

APPENDICES

Appendix one - Hackney's Corporate, Strategic risk register.

BACKGROUND PAPERS

Publication of Background Papers used in the preparation of reports is required

None

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