

CORPORATE RISK REGISTER JUNE 2017**AUDIT COMMITTEE
MEETING DATE 2017/2018****June 26th, 2017****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 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 June 2017 (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 and ratified by the Hackney Management Team (HMT) on 13 June 2017. 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 September 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 Conservative Government (and the coalition one before that) have put in place a series of measures that it feels will position the UK economy strongly to mitigate the impact of the current financial problems. It is unclear (pre Queen's Speech) how the June 2017 election may affect these ongoing measures. The Council have a further £10/15m of efficiency savings to achieve by 2019/20 and this presents a significant challenge. The EU Referendum decision in favour of Brexit (and subsequent triggering of Article 50) and post (June 8th) election uncertainty have introduced further risks of a negative financial impact (which is already materialising, particularly due to the current weakness of the pound).

- Risk 1b – Impact of BREXIT vote
This is a decision of such national consequence, that it was immediately escalated to the Corporate Register last year (along with an accompanying register dedicated to it). The climate is no less volatile today than in the immediate aftermath, so the score / risks remain high. The EU Referendum result also influences a number of other

risks on this register, such as the impact of New Legislation and also Pensions (and the financial impact Brexit may have on them).

- Risks 6 & 7 – Regeneration and New Government policies affecting Housing.
This is a new iteration of the regeneration risk, just updated by the Director of Regeneration, and particularly important in the light of the Council's plans for future development work (particularly a project like Britannia) and the formation of Hackney Sales. Clearly this will involve considerable borrowing and an exposure to external influences in the future. Also, the impact of the Housing and Planning Act 2016 is thought to constitute a separate risk in itself.
- Risk 13 – New Legislation (cross Council).
The (previous) Coalition Government announced a number of organisational change proposals when in power, which continued under the Conservative Government (still in power of sorts, following the June 8 election). The Care Act 2014 continues to impact clearly on work within CACH, whilst last year's Housing and Planning Act 2016 will clearly affect future service delivery. There was also serious potential for upheaval with the proposed Education Bill last year. However, this was scrapped although further proposals are anticipated. As of June 23 2016 (and then the triggering of Article 50 on 29 March 2017), the results of the EU Referendum introduce a new area of legislative uncertainty. The future following the Queen's speech remains uncertain but is sure to include some legislative upheaval.
- 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 the last year, there continue to be changes and restructures around the Council, including the Senior Management one completed in April 2016 (with final, interim arrangements ending in April 2017). In addition, to meet 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 like ICT) and other work benefits. There has been continued pressure to successfully recruit, especially in some specific areas like ICT, Social Care and Highway Engineers. There is also a risk of a loss of knowledge, as a large number of long serving staff take redundancies.
- Risk 20b – Corporate Resilience
This is a new iteration of the risk previously more about Business Continuity, emphasising the importance of the Council being suitably prepared to respond and adapt to incremental change and sudden disruptions. Clearly, failure to do this would impact massively on our ability to effectively deliver services and HMT decided this should be escalated to Corporate level.
- Risk 21 – ICT Security
The Director of ICT has escalated a number of new versions of risks to the Corporate register. The Information Security risk (and controls to mitigate its potential impact) is of particular importance, especially in the light of the recent NHS cyber-attacks and the problems affecting BA, and amended descriptions reflect this.

- 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
Initially, in early 2016 HMT raised the risk relating to the increased devolutionary powers the Government was proposing and the risks that that may create. Since then, the dust has settled a little and this risk has clearly evolved into something of an opportunity, So much so, that the Council has shown intentions to embrace it by its recent commitment to Integrated Commissioning (with the joint Board with the CCG now set up, having been signed off by Cabinet).
- Risk 25 – Contract Management (and the potential of fraud)
This risk has evolved in the last year, with investigations ongoing but Housing Services are also implementing increasingly robust controls to manage contract related risks. The actual score has decreased reflecting the considerable work undertaken in this area in the last year.
- Risk 27,28 & 29 – Learning Trust related risks
Last year, HMT requested inclusion of a risk relating to the proposals within the Education Bill, which eventually did not materialise, However, since then numerous new risks have evolved and been escalated for HMT’s consideration at Corporate level. This is an area of critical importance to the Council, and so areas such as the academisation of schools, SEND funding and the problem of unregistered schools have been suggested to be considered at Corporate level.
- Risk 30 – Temporary Accommodation.
HMT requested a specific risk relating to Temporary Accommodation, and the pressures it was putting on finances between the subsidies provided and the actual costs of meeting the need.

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 Whilst consideration of the risk register has no direct financial impact, many of the risks identified therein would have financial impact if they were realised. They therefore continue to be monitored to ensure that they are controlled to an acceptable level and that future actions to manage the risks are on track.

7. COMMENTS OF THE DIRECTOR, 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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