



FINANCE AND CORPORATE RESOURCES DIRECTORATE RISK REGISTER

AUDIT COMMITTEE MEETING DATE

2018/19

15 October 2018

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. INTRODUCTION AND PURPOSE

- 1.1 This report updates members on the current Finance and Corporate Resources Directorate Risk Register of the Council as at October 2018 (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

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

- 4.1 This current Directorate risk profile was reviewed by the Directorate Management Team on September 13th 2018 in advance of it progressing to October's Audit Committee. The register was last reviewed by Audit Committee in April 2018. (The reason the register is being reviewed again so quickly is to regulate the schedule of Committee and ensure the registers are evenly distributed throughout the year. After this meeting the review for this will revert to being annual.) In discussions and meetings with 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 FDMT (Finance and Corporate Resources Directorate

Management team meeting). Numerous risks have changed or now exist in different circumstances compared to the last review.

4.2 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.

4.3 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.

4.4 Sustainability

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

4.5 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. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

4.6 Risk Assessment

The relevant Risk Register is attached at Appendix one.

5. DIRECTORATE RISK REVIEW

5.1 The Directorate Risk Register is comprised of risks that cut across the numerous divisions of Finance and Corporate Resources. The risks recognised at Directorate level would usually be of notable content, and often scored highly whilst impacting on overall Council 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 our 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 Regarding the contents of this latest Directorate register, important areas to note are:

- The Directorate register commences with a new iteration of the risk relating to Brexit. In the immediate aftermath of the vote in June 2016, a risk register was created to encapsulate the main risks that Brexit might have presented. As the years have passed, the separate risks within this initial register have been subsumed into the Directorate and Service registers, reflecting the changed landscape but one that will prove a permanent and ongoing challenge in all areas. Summarised in this headline (Corporate) risk are the main areas which could impact in so many ways – from the financial side (affecting purchasing, treasury, pensions and budgets), recruitment (negative impacts of uncertainty regarding EU workers, of whom there are more in London) to societal (including political instability, possibility of hate crime). Whilst this remains on the Corporate register, it's also appropriate to feature within Finance and Corporate Resources, as so many areas here are directly affected.
- From a Corporate perspective, there are many risks and opportunities associated with Brexit. There is a potential impact on Devolution, and the question about who will be legislating on issues that were previously EU competences (waste, data protection, energy labelling and internet security as a few examples) with a possible increase or decrease in local decision and policy making. Also future funding gaps are clearly going to be an issue that could affect service delivery. Currently, England is receiving £5.3 billion in European (Structural and Investment) Funding to local areas between 2014-20 (with London receiving £762 million). With this funding underwritten by government until the end of 2020, more detail is needed on if the funding will be replaced. The Government has not released a detailed timetable or process for the introduction of UKSPF (Shared Prosperity Fund). Local areas need this certainty to rise to the challenges and embrace the opportunities leaving the EU will bring. Organisations, including the voluntary and community sector, that currently deliver EU funded projects will have to close down if there is not a continuation of funding. Without a replacement funding stream in place and operational by 1 January 2021, local areas will see a massive reduction in resources and their ability to create jobs, support businesses and develop their economies. Aside from the European Structural and Investment Funding, the European Investment Bank lends billions in funding, and we receive billions across other areas from European funding.

More clarity is provided by the Withdrawal Act 2018 which dictates there will be a no legal 'cliff edge' come March 2019 for key services such as Waste Management and Trading Standards. All EU legislative, enforcement and judicial powers would return to Whitehall under the current UK constitutional settlement – with the LGA lobbying for more local powers. The possible raising of tariffs on imported goods and services could be of potential cost to Councils and clarity will be needed on if EU candidates can still stand in elections. Clearly there remain multiple grey areas, which may only become clear in the next few months, depending on which decisions are taken.

- Audit and Anti-Fraud proposed a new version of this risk (AAF 15) in April, and was soon after escalated to Corporate level. Now updated, the risk remains broadly the same in tone.

- There remain some high level, cross cutting risks, the first of which (FR DR 0005) reflects potential problems with workforce (encompassing recruitment and potential impacts of restructures) and also problems with contractors and suppliers. Recent years' registers have contained significant risks relating to the change of the Council's Banking System, and Pension scheme changes. Both of these risks have been managed satisfactorily, although post event, there are still uncertain factors relating to both these areas. Clearly however, these risks are no longer applicable in their previous form and description. Three pension related risks have been amended from their previous form to reflect the latest challenges facing the team. A final cross cutting risk relates to Major Capital Programmes, and the financial exposures that the Council is subject to.
- A number of new risks relating to Accountancy were escalated at the start of 2018, after a complete refresh of the risk register by the Chief Accountant. The new deadlines for the completion of accounts were previously a high / red risk, but due to the work undertaken and progress achieved, assurance has now been provided that this has been well managed and should be comfortably achieved. Therefore the score for this risk has reduced.
- In undertaking a complete review of all their risks, ICT's main Directorate risks are still broadly similar to the last time reviewed. A number of ICT risks have proved to be cross cutting and have been merged with other risks to produce high level, strategic risks (eg – recruitment issues, acutely felt in IT but also a recurring problem for select services across the Council.) In terms of the major risks relating to Assets, Resilience and Cyber / Information Security, there are current developments having clear impacts on these – such as the complexities presented by the forthcoming GDPR obligations and also the Council's transition over from windows to G-suite.
- Welfare Reforms are continuing to impact in numerous ways, both administratively and financially within the Council and also on residents within the Borough, particularly with the introduction of Universal Credit. This risk remains on the register from last year, accompanied by an additional one, relating to the effects of rising property prices and rents. This is clearly an external risk and difficult to directly mitigate but the Council is trying to take proactive steps to address this problem, and especially the risk of it escalating further. There is also a risk relating to the Council's provision of Temporary Accommodation (which also features on the Corporate register) and this has been exacerbated by the forthcoming introduction (in April 2018) of the Homelessness Reduction Act.

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

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 Continuous review of the Risk register and impending legislation referred to is key to ensuring that the Council remain in control of the management of risk.

APPENDICES

Appendix 1 - Finance and Resources Directorate Register

BACKGROUND PAPERS

None

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