



**CORPORATE RISK REGISTER REVIEW - JANUARY 2019**

**AUDIT COMMITTEE MEETING DATE**  
**2018/19**  
**28 January 2019**

**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 Corporate Risk Register of the Council as at January 2019 (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 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) in December 2018. 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 June 2018.

### **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. The Council has a further £30m of efficiency savings to achieve by 2021/22 and this presents a significant challenge. The EU Referendum decision in favour of Brexit (and subsequent triggering of Article 50) and post-election uncertainty have introduced further risks of a negative financial impact (which is already materialising, particularly due to the current weakness of the pound). The increase in interest rates (from 0.5% to 0.75%) in August 2018 hints at a slight improvement in some areas. Also examples of a more proactive approach to Commercialisation within the Council show a new way forward in mitigating the impacts of austerity.

- Risk 1b – Impact of BREXIT vote

The climate is no less volatile today than in the immediate aftermath, so the score / risks remain high. With Article 50 now triggered, the actual relationship that Britain will negotiate with the EU will determine many aspects of the country's direction and prosperity in the future. In light of the current uncertainty with regards to the postponed vote for a deal (now set for

January 15) a lot will depend on whether a deal is accepted as this will dictate how things proceed. 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.

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. Clearly this will involve considerable borrowing and an exposure to external influences in the future. There are also serious financial implications around this risk.

- Risk 10 – Pensions & Risk 33 – Management of Data.

The Pensions risk has been on the register for a number of years, albeit has changed in that time. A new risk was escalated to accompany the overall Pension risk (in January), relating to the Management of Pensions Data which has become an area of serious concern worthy of appearing on this risk register, and remains so.

- 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 with a reduced majority, following last year's election). The Care Act 2014 continues to impact clearly on work within CACH, whilst last year's Housing and Planning Act 2016 is clearly impacting on 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 23 June 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. Also, GDPR finally being enforced in May 2018, and the Homelessness Reduction Act of 2018 have created new responsibilities for the Council.

- 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 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. Staff need to be on board with the modernisation agenda. 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, however recent successful recruitment campaigns within ICT have suggested this problem is receding.

- Risk 20b – Corporate Resilience

This is a new iteration of the risk previously more about Business Continuity (within ICT), 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 with Integrated Commissioning being an example of it occurring (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.
- Risk 27, 28 & 29 – Hackney Learning Trust related risks. Impact of government reforms, SEND funding and serious safeguarding failure in a school.  
Two new risks from Hackney Learning Trust were escalated in January 2018 to Corporate level. They remain in place. The SEND funding is critical at the moment, as the number of pupils qualifying for SEN statements is increasing (and definitely looks set to continue), which is sending the budget into clear deficit.
- Risk 30 – Temporary Accommodation.  
This was escalated to the Corporate Register in July 2017 and remains in place especially in light of the recent implementation of the Homelessness Reduction Act, placing further obligations on Councils.
- Risk 31 - Fire Safety  
This risk was updated to reflect the climate post Grenfell and escalated to the Corporate register. The Council was already undertaking multiple measures to manage these risks and the controls here should now provide clear assurance.
- Risk 32 – Integrated Commissioning (IC)  
In light of this joint working, with a full IC board having been set up and signed off by Cabinet, an overarching risk pertaining to this work has been escalated to Committee, with the full sign off of HMT.
- Risk 33 – Major Fraud not identified.  
This was escalated from within Audit and Anti-Fraud, after featuring within the last Finance and Corporate Resources Directorate Register. It is a new iteration of a risk that has always been in place in varying forms.

## **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 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 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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