



FINANCE AND CORPORATE RESOURCES DIRECTORATE RISK REGISTER

AUDIT COMMITTEE MEETING DATE

2020/21

14 October 2020

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 2020 (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 last reviewed by the Directorate Management Team in April 2020 in advance of it progressing to April's Audit Committee. The register has been subsequently updated by all relevant Heads of Service and Directors. In discussions and meetings with various senior 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, especially in light of the outbreak of COVID-19.

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:

- In March 2020, the international outbreak of the COVID-19 virus (which had reached the UK in January) escalated to a critical level which necessitated dramatic state action impacting on every aspect of life in the UK. Clearly, this is still an ongoing issue which is currently undergoing a second wave and the financial impacts are already proving seismic. It is clear that beyond the obvious threats of COVID-19 to people’s health and the country’s resources, there will be a whole range of associated (Finance and Corporate Resources) risks that may unfold (relating to budget setting, cyber security, supply chains, pensions risks connected to funding as a result of market volatility, a potential increase in fraud and a whole range of housing problems, whether relating to rental income to homelessness.) There is a detailed COVID-19 risk on the Corporate Risk register.
- A number of new risks relating to Accountancy were escalated in the last iteration of this register. This was after a complete refresh of the risk register by the Chief Accountant, who has once again reviewed all risks. 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. Also post COVID-19, deadlines are being moved back, although this extension was not ultimately required. There is considerable uncertainty lingering as a result of the Fair Funding review being postponed and the lack of knowledge at how much funding may be lost in the future. This, along with the continuing uncertainty about what deals may be reached regarding Brexit (by the end of 2020), is reflected in the budget setting risk. Clearly, COVID-19 will have a substantial impact on this, and the extent to which it will impact on budgets will only be known later this year. The new Financial Management Code, which CIPFA issued towards the end of 2019, should support good practice in financial management and assist local authorities in demonstrating their financial sustainability. This was shared with Audit Committee at the meeting in January 2020.
- 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. Three pension related risks have been amended from their previous form to reflect the latest

challenges facing the team (including the volatility of the markets as a result of COVID-19). A final cross cutting risk relates to Major Capital Programmes, and the financial exposures that the Council is subject to.

- 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, these persist in a similar form and continue to be shaped by developments in law (GDPR) or new technologies (G-suite for example). Cyber risks brought about by COVID-19 are being managed by ICT, with extra diligence being paid to home working situations.
- 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. A Universal Credit risk (and one relating to poverty in the Borough) featured on the last iteration of this register but have now been removed as corporate responsibility for these risks have shifted to the Policy team with the Chief Executives 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 Homelessness Reduction Act from 2018. Following on from the outbreak of COVID-19, and the increased threat of hardship and potential homelessness, the Council has guaranteed that none of its tenants will be evicted as a result of the coronavirus pandemic. Residents are being clearly reminded of the support available through hardship funds and the Council Tax Reduction Scheme as well as wider support from central government such as housing benefit.

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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