



AGENDA ITEM 8

CORPORATE RISK REGISTER REVIEW – JANUARY 2021

AUDIT COMMITTEE MEETING DATE 2020/21 13 January 2021	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 2021 (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 2020. 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 2020, particularly with the ongoing pandemic and the Cyberattack in October.

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.

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 June's register are:

- Cyberattack. When the attack was discovered in October, immediate work was carried out to isolate the Council's internally hosted systems and network and to notify the national leads for cyber security. However, serious risks remain that recovery work may introduce new vulnerabilities or reintroduce vulnerabilities which existed at the time of the attack / retain elements of the attack which could be reused in future. Within this register these risks (with accompanying controls) are explored in detail, as well as updates to the more general Cyber security and Information Assets risks.
- Pandemic. There was always a risk relating to a potential pandemic but previously the assessed likelihood was low which did not necessitate its inclusion on the Corporate register. The sudden emergence of the Coronavirus in China around a year ago, (and arrival in the UK at the end of January) has had a truly international impact and had far reaching consequences on life around

the world. Infections and deaths in the UK rose to such an extent that an initial lockdown was announced in March, and a second one commenced (in response to the second wave) in November. The risk that this pandemic poses to Hackney Council is significant, and the risk of this continuing (with further waves) is something that poses serious challenges to the Council in many areas. These are detailed in the second risk on the register. It is hoped that numbers will continue to fall and then we can see the likelihood of this risk drop. The vaccine represents very positive news but it is unlikely to affect things in the short term.

- 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 Council has been continuing to carry out efficiency savings (necessary in light of the austerity measures of the Conservative government) which have been exacerbated by the outbreak of Coronavirus across the world. The emergence of COVID-19 has meant significant additional expenditure and reduced income for the Council. At the time of writing, the departure from the EU in January 2020 is imminent and there remains the risk of a 'no deal' scenario by the end of the year. The Fair Funding Review, although delayed, poses a risk of further reductions in funding. Following the recent Spending Review, which covered one year only and announced one-off funding in relation to Covid19, we are confident that we are in a position to present a balanced budget for 2021/22 in February 2021. However, work on the budget needs to maintain momentum to ensure the further challenges anticipated for 2022/23 are met.

- Risk 1b – Impact of BREXIT vote

The UK formally leaves the EU on 31/12/20 but at the time of writing (Dec 10) a post- Brexit trade deal is still to be agreed. The risk very much remains of 'no-deal' being secured, and this could have serious consequences. 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).

- 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. Another risk was escalated to accompany the overall Pension risk 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. There have been improvements in the data (resulting in a decreased likelihood) but problems still remain.

- 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 the Adults Directorate, whilst the 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. 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 how efficiently staff are able to work,

and whether they have the resources to do it effectively. 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, and this has been successfully accomplished so far with the pressures of COVID-19, and the need for increased home working. 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 an 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 (which have clearly happened with the recent Cyberattack). Clearly, failure to do this would impact massively on our ability to effectively deliver services and HMT decided this should be featured at Corporate level.

- 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 27, 28 & 29 – Hackney Education related risks. SEND funding, serious safeguarding failure in a school and unregistered schools.

The risk relating to unregistered schools has just been escalated to the Corporate register, by Hackney Education's Management team.

- 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. The Cyberattack has affected systems used here.

- 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 36 – Insourcing - This was escalated after the approval of HMT, and refers to the Council's approach to Insourcing, and the benefits it may present. Obviously the Guidance paper is crucial in determining the best approach to Insourcing decisions, depending on circumstances.

- Risk 39 - Climate Change. This was escalated at the end of 2019, and remains integral to the Council's overall objectives.

Clearly there are overarching areas within this register where some risks are starting to compound the effects of other risks. An example of this is the cyberattack which has exacerbated other risks related to information, or the delivery of services dependent upon (affected) applications. Also the pandemic is impacting upon a range of risks, whether the obvious financial affects, or the varied impacts it is having on people, services and processes.

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 FOR LEGAL AND GOVERNANCE 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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