



<b>Title of Report</b>	<b>FINANCE AND CORPORATE RESOURCES RISK REGISTER - COVERING REPORT</b>
<b>For Consideration By</b>	Audit Committee
<b>Meeting Date</b>	October 25th 2023
<b>Classification</b>	Open
<b><u>Ward(s) Affected</u></b>	All Wards
<b><u>Group Director</u></b>	<b>Jackie Moylan, Interim Group Director, Finance</b>

## 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 2023 (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 in September 2023 in advance of it progressing to October's Audit Committee. The register has been 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). Numerous risks have changed or now exist in different circumstances compared to the last review, especially in light of the current cost of living crisis, the pandemic and the Cyberattack which the Council suffered.

### **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:

- Numerous external events and influences are having a considerable impact on the Council and this Directorate's objectives, notably the fragile economy and accompanying cost of living crisis, the continuing impact of the pandemic, along with the Cyberattack which although it occurred in October 2020, continues to have an impact on Services. Each of these areas impacts directly on Finance and Corporate Resources. Areas like finances (with budget cuts, and especially current challenges like the volatile energy market and rapid increases in cost of living) were already problematic during the pandemic, and they have seriously intensified now, and the Cyberattack has severely affected the operation of some Services. There are overarching risks on the Corporate register relating to this, and the cost of living crisis is featured throughout this iteration; from risks on budgets to those on temporary accommodation, supply chains and commercial rents. A distinct risk here is unnecessary as this theme permeates throughout the register.
- Even before the pandemic, the effects of economic uncertainty had been present for a considerable time, especially for the Council with the austerity measures of the last decade. In the last couple of years however, matters have tightened even further with the combined impacts of the pandemic, the cyberattack and Brexit. The current crisis concerns the rapidly rising cost of living which impacts both on the Council as an organisation, residents of the Borough, staff and local businesses. This is further adding to internal budgetary pressures and presenting additional external risks to the wider communities of Hackney, as high inflation causes increased poverty and overall deprivations. Again this is reflected in a broader economic risk on the Corporate register.
- There has been a new escalation to this register of a risk from the Pensions team relating to the potentially poor delivery of the overall service for scheme members. This is currently exacerbated by the required system upgrade to a new supplier, which increases the likelihood of inaccurate or late calculations,

processes and communications. The poor membership data risk has steadied compared to previous years, and the controls now provide more assurance that this risk is being managed more effectively.

- Audit and Anti-Fraud's overarching risk about a major fraud occurring now has some additional controls, including the recent creation of a new Council-wide Fraud Risk Register, which will soon be shared with all relevant parties
- The Temporary Accommodation risk has intensified over the last year and now poses serious challenges to the Council. As the detail within the risk description illustrates, the resources, funding and general availability of property is not sufficient to meet the demands, and this does not look likely to improve in the short or medium term.
- The Cyber Security risk has now been merged with the previous risk which related to the impacts of the Cyberattack and the organisation's increased vulnerabilities resulting from it.

## **6. COMMENTS OF THE INTERIM GROUP DIRECTOR, FINANCE**

- 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 ACTING DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL 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 remains in control of the management of risk.

## **APPENDICES**

Appendix 1 - Finance and Resources Directorate Register

## BACKGROUND PAPERS

None

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