

Title of Report	CORPORATE RISK REGISTER
For Consideration By	Audit Committee
Meeting Date	January 31st 2024
Classification	Open
<u>Ward(s) Affected</u>	All Wards
<u>Group Director</u>	Jackie Moylan, Group Director Finance and Corporate Resources

1. **Introduction**

- 1.1. This report updates members on the current Corporate Risk Register of the Council as at January 2024 (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. **Recommendations**

- 2.1. The Audit Committee is recommended to note the contents of this report and the attached risk registers and controls in place.

3. **Reason(s) 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 the Audit Committee is aware of this.

4. **Background**

The current Council risk profile was reviewed and ratified by the Corporate Leadership Team (CLT) in January 2024. 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 CLT. Numerous risks have changed or now exist in different circumstances compared to when the register was last reviewed by the Committee in June 2023, particularly with unpredictable global events like the current cost of living crisis and what is unfolding in Ukraine and Gaza.

Policy Context

- 4.1. All risk related reporting is in line with the Council's Risk Policy, ratified biennially by the Audit Committee, and also fully supports the framework and ideology set out in the Risk Strategy.

Equality impact assessment

- 4.2. 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.

Sustainability and climate change

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

Consultations

- 4.4. 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.

Risk assessment

- 4.5. 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 Notable risks included on the current register are:

- Cost of living crisis - this is an overarching risk looking at the current situation from the perspective of the whole Council. Each Directorate and most service areas also have their own separate risks in their respective registers relating to these financial pressures. The risk is a reflection of an unfolding crisis which is affecting most people across the country as well as having a direct impact on the Council's revenue and capital costs. With inflation now at 4.6% (as of December 23, down from 11.1% towards the end of 2022), the impact on most areas of life is notable and challenging to manage. The risk details how the Council is undertaking to deal with this and provide as much support as possible to those affected in the Borough. The risk also aims to go beyond the impact on service delivery and reference impacts on residents, staff and local businesses. It is not a risk that can be conclusively managed and reduced but we can provide assurance that we are doing everything within our powers and resources to deal with it as effectively as possible.
- Cyber Security. When the Cyberattack was discovered in October 2020, 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, 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. Also risks remain relating to the data stolen and published to the dark web in Jan 2021. Within this register these risks (with accompanying controls) are explored in detail, with most detail contained within the Cyber security risk (which has now been merged with the previous distinct Cyberattack risk).
- 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). The pandemic and then cost of living crisis has meant significant additional expenditure and reduced income. The ongoing impact on budgets is considerable.
- Risk 18 & 18b Workforce
Another risk resulting from budgetary pressures and the pandemic 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. With recent change at Senior Leadership level within the organisation, further risks to workforce have been identified as effective service delivery may be affected by ongoing adaptation to changes.

- 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 CLT have supported this being featured at Corporate level.

- Risk 23 - Person suffers significant harm

This risk related to child welfare initially but after discussion at CLT 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 30 – Temporary Accommodation.

This was escalated to the Corporate Register in July 2017 and remains in place especially in light of the implementation of the Homelessness Reduction Act, placing further obligations on Councils. The Cyberattack also affected systems used here. Now the cost of living crisis is placing unprecedented pressures on the Service, and risks here are continuing to increase due to the lack of resources, housing and budgets. The score of this risk has now risen to the maximum, reflecting the severe pressures currently being faced.

- Risk 35 & 36 – Insourcing and the setting up of Council owned companies. -

The risk relating to the Council's approach to Insourcing was escalated in 2020. Obviously the Guidance paper is crucial in determining the best approach to Insourcing decisions, depending on circumstances. The Council companies risk has also been on the register for two years, but is more important than ever in the light of recent PIRs (Public Interest Reports) which specifically related to some Council owned companies and subsidiaries. In each instance the Councils suffered severe losses due to poor decision making, a frequent lack of governance and a near complete lack of approved business cases. These serve as examples about how not to proceed with companies and make the risks very clear.

- Risk 39 - Climate Change. This was escalated at the end of 2019, and remains integral to the Council's overall objectives. With the recent publishing of the Council's Climate Action Plan (CAP), (which was ratified by full Council in May 2023), targets are brought even more into focus - with increasingly challenging commitments to be met, and questions about the resources to do this.

- Risk 44 & 45 - Major Power Outage and Reduction of residential placements - the last iteration of the Corporate register contains two new risks. The first related to the potential of a power outage, and this has now been reverted back to Directorate level, whilst still being closely managed. This was approved by CLT in Jan 2024. The risk relating to residential placements was raised by Children's services and reflects the current financial pressures causing the numbers of residential placements having to be reduced. This ultimately impacts on vulnerable children and could challenge effective service delivery. A new risk was also escalated in April 2023 relating to surplus school places and the pressures this is placing on

finances and threatening the closure of some primary schools. This remains on the register.

- This latest iteration sees two new risks on the register. The first relates to Adult Social Care Budgets - which are not currently sufficient to meet demand, posing extremely serious challenges going forward. There is also a new risk escalated by Hackney Education relating to problems with the case management system (Synergy). These will remain under review and fully updated at the next Committee.

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 cost of living crisis is impacting upon a range of risks, whether the obvious financial effects, or the varied impacts it is having on people, services and processes.

6. Comments of the Group Director of 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 Acting Director of Legal, Democratic and 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 Corporate 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 - Hackney's Corporate, Strategic Risk Register.

Background documents

None

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