

## AUDIT & STANDARDS COMMITTEE

16 November 2020

<b>Title:</b> Corporate Risk Register Update	
<b>Open Report</b>	<b>For Discussion &amp; Agreement</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Strategic Leadership Director:</b> Fiona Taylor, Acting Deputy Chief Executive	
<b>Summary:</b> This report provides an update on the Corporate Risk Register.	
<b>Recommendation:</b> The Audit & Standards Committee is asked to note the contents of the report.	

### 1 Background

- 1.1. It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.
- 1.2. Risk management is concerned with evaluating the measures in place, and the actions needed, to identify and control risks effectively. The objectives are to secure the Council's assets and to ensure the Council's continued financial and organisational wellbeing.
- 1.3. Risk offers both significant potential positive and negative impacts on delivery and reputation and it therefore follows that a key organisational challenge facing the Council is embedding risk as part of the organisation's decision making process both in day to day operational situations and at the strategic level.

### 2 Risk Management

- 2.1. The LBBB Risk Management vision is that the Council will have a robust system of risk management in place to identify, assess and manage the key risks in the Borough that may prevent it achieving the priorities identified in the Corporate Plan. Effective risk management is a key management tool for LBBB that is used to understand and optimise the benefits it can generate from calculated risk taking, as well as helping to avoid and manage unwanted surprises.
- 2.2. This report provides an update on how strategic risk continues to be monitored and managed. Details of the process are set out in the LBBB Risk Management Approach which was approved by Cabinet on 17<sup>th</sup> September 2019.
- 2.3. The Council's approach to corporate risk management is to embed risk ownership across the organisation so that it is the responsibility of all managers and teams to

manage risk. The Council's Head of Assurance is responsible for Risk Management strategy, advice and support but is not responsible for managing risks.

- 2.4. Directors and Heads of Service ensure that risks within their area are recorded and managed appropriately, in line with the risk management framework. The Corporate Assurance Group regularly review and monitor the approach to risk management.
- 2.5. Risk Registers will form part of the service plans and are designed to be dynamic documents, being updated regularly. The Corporate Risk Register covers risks which affect our ability to achieve long-term Council objectives. Risks can be escalated from service risks up to the Assurance Group for inclusion in the Corporate Risk Register or moved down as required.

### **3. Corporate Risks**

- 3.1. The Senior Leadership Team has reviewed all their current key risks to achieving the Council's objectives. This section provides a summary of progress being made in moving towards the desired level of risk for each entry in the Corporate Risk Register.
- 3.2. There were 14 Corporate Risks at the last review and again 14 this time. There has however been one risk removed from the Corporate Risk Register (Brexit) and one addition (Enterprise Resource Planning).
- 3.3. Brexit – There was previously an identified corporate risk around the withdrawal of the United Kingdom from the European Union. This risk was that *“Rapid population change, acute deprivation and inequality of outcomes compared to the rest of London, in addition to the Borough supporting Leave in the referendum, could lead to significant resident dissatisfaction if the final outcome of Brexit is not in line with resident expectations, resulting in increasing community tensions and potentially increasing the demand for services if it leads to an economic downturn”*.
- 3.4. Now that the United Kingdom has formally left the European Union, albeit with the introduction of a transition period, the risk of a further referendum or a reversal of the decision to leave would appear unlikely. The risk has therefore been de-escalated from the corporate register and the impact of the remaining Brexit related challenges such as contracting, information security and the economy are considered as part of the remaining risks listed separately.
- 3.5. Enterprise Resource Planning - The Council's Oracle ERP solution manages and reports upon HR, Payroll, Finance, Purchasing, Expenses and Debtors activities across the organisation as well as some schools & external organisations for whom the Council provides services. The current release - Oracle 12.1.3 - will not be supported after December 2021 and costs will increase when our hosting partner, London Borough of Brent, moves off this release on or before that date.
- 3.6. The following Corporate Risk has therefore been added to the register – *“A failure to procure and implement an appropriate ERP system in a timely manner could impact the Authority's ability to properly manage its resources, leading to costly workaround solutions”*. The risk owner is the Finance Director and Section 151 Officer.
- 3.7. Covid-19 Pandemic – There was discussion amongst the Senior Leadership Team as to whether to incorporate the pandemic as a specific corporate risk. Effective risk management involves understanding, managing and monitoring the cause, event and consequence of any declared risk and as such a decision has been made to incorporate consideration of the pandemic into the other corporate risks rather than as a standalone risk and allocating an individual risk owner. The pandemic affects the

Council in many ways and from a risk perspective these are best considered in terms of their impact on the strategic risks that are already being managed.

3.8. Each Risk Owner has assessed their risk for the following:

- Gross Risk (the impact and likelihood of the risk with no controls in place);
- Net Risk (the impact and likelihood of the risk with current controls in place); and
- Target Risk (the impact and likelihood of the risk, once all further actions have been implemented).

3.9. There are 14 Corporate Risks with results as follows:

**1. Population Change** (Risk Owner: Director of Policy & Participation) - An inability to understand how the population of Barking and Dagenham is changing and developing, could mean LBBD does not having the required social infrastructure to meet the needs of its community, resulting in unsatisfied residents and reputational damage.

Risk Direction of Travel – improvement

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**2. Financial Management** (Finance Director) - Unrealistic financial modelling of grant or company income and benefits may lead to the Authority's funding model no longer being sufficient, resulting in an inability to provide key services and severe reputational damage.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**3. Significant Incident in the Community** (Director of Law, Governance & HR) - A significant incident in the local community, in the context of the current high level of community tensions or a major public catastrophe, may lead to an eruption of civil disobedience, resulting in harm to residents, significant damage to council property, financial loss and a loss of confidence in the council.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**4. Safeguarding Failures** (Director of People & Resilience) - Staff not properly following safeguarding processes, for example due to the pressure of high caseload levels, could ultimately result in the death or serious injury of a child or vulnerable adult, resulting in loss of public faith, reputational damage, high financial costs and challenge and scrutiny from governing bodies.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**5. Development of the Third Sector** (Director of Policy & Participation) - A small Third sector may mean the Authority is unable to sufficiently reduce demand for its own services, leading to unsatisfied residents, increased costs and ultimately a failure to meet performance targets.

Risk Direction of Travel – improvement

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**6. Investment Decisions** (Finance Director) - A high number of investment decisions requiring quick turnarounds, coupled with a constraint on the level of relevant skills and resources to properly review these, could lead to inappropriate investment decisions being made, resulting in both financial and reputational damage, in addition to affecting the progress of developments to the council’s physical infrastructure.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**7. Economic Downturn** (Finance Director) - A large shock to the UK economy or a significant economic downturn could impact the Authority’s ability to obtain the ambitious financial returns it requires from its wholly owned companies (such as BeFirst), leading to constraints on its available funding.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**8. Contract Management** (Commercial Director) - The current lack of resources and skills in the Authority to manage its major contracts may mean that the contracts do not deliver on the agreed objectives, leading to a failure to deliver services to residents and significant financial loss.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**9. Information Security** (Chief Information Officer) - A data handling error by a member of staff or a contractor, could lead to the exposure of a substantial amount of residents’ information to unauthorised individuals, resulting in significant reputational damage, investigations by the ICO and other bodies and potential fines.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**10. Recruitment & Retention of Staff** (Director of Law, Governance & HR) - A lack of perceived investment in staff and wider remuneration, due to increasing financial pressure on the Authority, may make it difficult to recruit and retain sufficiently. This may be more likely at Director and senior management level, as well as hard to recruit roles. This potentially could lead to impacts on service delivery, financial costs if roles have to be covered by interims and could lead to a significant loss of knowledge within the Authority.

Risk Direction of Travel – improvement

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**11. Vision & Cultural Change** (Chief Executive) - LBBB's leadership not clearly articulating the benefits of the current strategy and required transformation as detailed in the Corporate Plan, could lead to pressure from Councillors or residents to adjust the Authority's priorities and objectives, which may lead to sub-optimal allocation of resources and a failure to meet performance targets as well as staff not making the required cultural changes, resulting in the council being unable to deliver on its priorities.

Risk Direction of Travel – improvement

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**12. Data Centre Failure** (Chief Information Officer) - A catastrophic failure of the data centre where LBBB's data is stored could prohibit the Authority from carrying out its day-to-day operations, resulting in residents not receiving services, significant financial implications and severe reputational damage.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**13. Damage to Physical Assets** - A significant incident within Barking and Dagenham, such as a major fire or terrorist incident, may lead to damage to the Authority's physical assets, resulting in incident management and repair costs, temporary loss of services and inconvenience to residents.

Risk Direction of Travel – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**14. Enterprise Resource Planning** - A failure to procure and implement an appropriate ERP system in a timely manner could impact the Authority's ability to properly manage its resources, leading to costly workaround solutions.

Risk Direction of Travel – N/A new risk

3.10 The Net Risk for each of the 14 corporate risks (i.e. the impact and likelihood of the risk with current controls in place) has been plotted on the matrix below for identification of their relative current concern:

LIKELIHOOD	High				
	Medium		7	4	
	Low		6 8 10 13	2 5	9
	Very Low		1 11 14	3 12	
		Minor	Major	Significant	Critical
		IMPACT			

#### 4. Financial Implications

*Implications completed by: Katherine Heffernan, Group Manager - Finance*

4.1. Risk Management is an integral part of good management and should be embedded in the day to day work of all Council officers and managers and delivered within existing resources. In addition, there are specific fully funded posts within the Finance service that support this work. There are no further financial implications arising from this report.

#### 5. Legal Implications

*Implications completed by: Dr Paul Feild, Senior Governance Solicitor*

5.1. To reiterate the main body text of this report, risk management is a key role for the organisation across the board for Members, Chief Officers and the teams. As an example, local authorities have a specific leadership role to plan for, be prepared and able to take action to respond to an emergency under the Civil Contingencies Act 2004.

5.2. Furthermore, if a risk is identified and reasonable measures are not taken to mitigate its likelihood of occurrence and if it is preventable, such as for example a tree on the highway was dangerously leaning over, the Council should take action and cut it down before it causes harm. To fail to do so could lead to legal liability to pay compensation for negligence and the reputational damage in not having taken steps to reduce the risk of occurrence and the magnitude of an event. To carry out risk assessments and to devise and implement risk occurrences, elimination and mitigation is therefore a core activity for management.

**Public Background Papers Used in the Preparation of the Report:** None.

**Appendices:** None.