

## AUDIT AND STANDARDS COMMITTEE

7 March 2022

<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> Assurance Group is asked to note the contents of the report.	
<b>Reason:</b>  It is an important feature of good governance, as well as protection of public assets, that the Council can anticipate any potential future risks and thus implement mitigating measures.	

### 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 LBBD 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 LBBD 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 outside of his direct service remit.
- 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 (Data Centre Failure) and one addition (Cyber Security Compromise). Another risk has been reworded from 'Damage to Physical Assets' to 'Meeting Statutory Health & Safety Requirements' to shift the focus from buildings to residents.
- 3.3. Data Centre Failure – There was previously an identified corporate risk around the failure of LBBD's data centre. This risk was that "*A catastrophic failure of the data centre where LBBD'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*".
- 3.4. Since this corporate risk was first identified, the Council has become fully cloud hosted on Azure for our Core infrastructure. This occurred in late 2020 and we also now have resilience between Microsoft datacentres for all key services. Many key applications are delivered as hosted services in any case as per the IT strategy and fully isolated backups are in place.
- 3.5. In essence, the gross risk of data centre failure has reduced to a tolerable level and whilst it will remain under review it is no longer considered as one of the Council's corporate risks.

- 3.6. Cyber Security Compromise – In the last two years, 3 UK Councils have had high profile cyber incidents that have caused significant impacts in terms of both service provision and finance. A cyber security compromise would trigger business continuity and recovery arrangements that would likely cost many millions of pounds over a period of many months and accompanied by large scale loss of confidential resident data.
- 3.7. LBBDD have put significant technical mitigations in place and have workshopped the business continuity impact of an incident, confirming that it is very serious. There is no single reliable fix for this risk at this stage so the Council will need to continue to invest in this area for the foreseeable future.
- 3.8. The following Corporate Risk has therefore been added to the register – “A successful cyber security attack on the Council’s systems could disrupt the Council’s ability to deliver its service commitments and result in a large-scale data loss, breach or compromise with significant financial consequences”. The risk owner is the Director of Strategy and Participation.
- 3.9. 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).

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

**1. Population Change** (Risk Owner: Director of Strategy & Participation) - An inability to understand how the population of Barking and Dagenham is changing and developing, could mean LBBDD 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 – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**2. Financial Management** (Chief Financial Officer) - 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** (Strategic 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 Community Solutions) - 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 – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**6. Investment Decisions** (Chief Financial Officer) - 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** (Chief Financial Officer) - 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 Executive & SIRO) - 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** (Strategic 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 – no change

<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 – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**12. Cyber Security Compromise** (Director of Strategy & Participation) - A successful cyber security attack on the Council’s systems could disrupt the Council’s ability to deliver its service commitments and result in a large-scale data loss, breach or compromise with significant financial consequences

Risk Direction of Travel – N/A new risk

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**13. Meeting Health and Safety Requirements** (Director of My Place) - Failure to comply with all relevant statutory health and safety requirements could lead to unsafe living conditions for tenants, resulting in potential injury or death.

Risk Direction of Travel – deterioration

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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**14. Enterprise Resource Planning** (Chief Financial Officer) - 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 – no change

<b>Gross Risk</b>	<b>Net Risk</b>	<b>Target Risk</b>
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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:

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

3.11 A fundamental review of the Council’s corporate risks is due to take place in Quarter 1 of 2022/23 in line with the published LBBB Risk Management Approach.

**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.

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

**7. Appendices: None**