

## ANNUAL REVIEW OF CORPORATE RISK

Meeting	<b>Cabinet – 28 July 2016</b>
Report Author	<b>Tim Willis, Director of Corporate Resources</b>
Portfolio Holder	<b>Cllr Derek Crow-Brown, Portfolio Holder (Corporate Governance)</b>
Status	<b>For information</b>
Classification:	<b>Unrestricted</b>
Key Decision	<b>No</b>
Ward:	<b>All</b>

**Executive Summary:**

This report provides Cabinet with an annual review of corporate risk, in accordance with the Risk Strategy.

**Recommendation(s):**

To note the report.

**CORPORATE IMPLICATIONS**

<b>Financial and Value for Money</b>	The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains a risk reserve, the size of which is commensurate with the financial impact of current and future risks. There are no specific financial implications arising from this report.
<b>Legal</b>	Whilst the corporate risk register includes consideration of legal matters in as far as they relate to risks to the Council, there are no legal implications for the recommendation required by this report.
<b>Corporate</b>	Governance & Audit Committee approved the Risk Management Strategy on 9 December 2015 which includes a requirement to provide Cabinet with an annual review of corporate risk.
<b>Equalities Act 2010 &amp; Public Sector Equality Duty</b>	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy &amp; maternity. Only aim (i) of the Duty applies to Marriage &amp; civil partnership.</p>

	Please indicate which aim is relevant to the report	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓
	Foster good relations between people who share a protected characteristic and people who do not share it.	
There are no equity or equalities issues arising from this report. The risk register identifies a number of activities designed to control risks and these will each need to be assessed for equality impact in their own right		

<b>CORPORATE PRIORITIES (tick those relevant)✓</b>	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

<b>CORPORATE VALUES (tick those relevant)✓</b>	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

## 1.0 Introduction and Background

- 1.1 Risk Management is a fundamental element of the Council's arrangements for ensuring goals are achieved and opportunities are taken up. To this end the Council has established its Risk Management Strategy and Process and has assigned responsibility to councillors and officers to ensure that the Council uses its resources effectively, and all that can be reasonably done, is done, to mitigate risk.
- 1.2 Following the election of a new council in May 2015, new corporate priorities were agreed in October 2015. Work began on reviewing the overall corporate approach to risk and G&A Committee approved the new Risk Strategy and Risk Process at its meeting in December 2015. This included a requirement for quarterly updates of the corporate risk register to G&A Committee, plus an annual review for Cabinet, hence this report.
- 1.3 Whilst primary member oversight on risk is provided by G&A Committee, Cabinet also has a member Risk Champion (the Portfolio Holder for Corporate Governance) who promotes risk management and its benefits throughout the council. At staff level, the high-level corporate risk register is regularly considered by Corporate Management Team (CMT), and risk is a permanent item on its agenda. G&A Committee considers changes to the corporate risk register, the reasons for the changes and the actions being taken to mitigate the likelihood and impact of those risks. A view is also taken regarding the extent to which the risks should be tolerated. Looking beyond the corporate level, Heads of Service are responsible for maintaining service-level risks and project managers are responsible for project risks.

## 2.0 Key risk events over the year

- 2.1 In February 2016, members of G&A Committee and the Member Risk Champion attended a workshop which provided training on risk management as well as a systematic consideration of each corporate risk, scoring each one based on likelihood and impact. Although this is the role of CMT, the training was enhanced by members going through the thought processes and discussing issues around the relative significance of one risk as compared to another. It also enabled a deeper understanding of the risks listed in the risk register at the time. CMT had already scored the risks but the results had not at that

point been shared with members; it was interesting to note that there was no major difference between the scores by G&A Committee members and CMT.

2.2 The major events over the year that have informed the corporate risk register have been:

- The notification of the prosecution by the Health & Safety Executive (still not yet taken place) regarding Hand Arm Vibration Syndrome. A wide range of measures have been put in place to identify and manage health and safety issues in relation to the workforce. However, there remains some uncertainty created by the outcome of the impending prosecution.
- The Dreamland operator revealed the need to reach a special agreement with its creditors, then went into administration. In December, a CVA was agreed which highlighted that SHL was having difficulties meeting its obligations. Then earlier this month, it was announced that SHL was going into administration. The council had no direct power over these events, but it is a creditor of SHL and it holds a lease and concession agreement with SHL. Dreamland has not had to close as a consequence of these events and it is hoped that TDC can play some part in securing the future of the operation whilst also protecting the council's interests.
- The follow-up Peer Review assessed the progress made by the council over two years, with particular reference (for the purposes of the corporate risk register) to member behaviour and political stewardship. As the council matures and despite the council moving to no overall political control, the Peer Review saw real progress in behaviour and in how the council has dealt with major potentially controversial issues. This remains a work in progress and a new cross-party group has been established that will oversee the improvements.
- There remains continued uncertainty regarding the external funding environment and challenges of delivering the 2016-17 budget and Medium Term Financial Strategy. Although decisions were made to set the 2016-17 budget, there is now the challenge of staying within that budget. And there will be further substantial savings required to deliver the 2017-18 budget. This is within the context of an uncertain financial environment. For example, the government announcement to devolve business rates to local authorities has not been supplemented with the detail needed to assess its impact; also, the drive for devolution and the potential for restructuring of local government creates more uncertainty and costs.

### **3.0 Corporate risk register**

3.1 A summary of the latest Corporate Risk Register is set out below, as considered and approved by Governance & Audit Committee on 22 June 2016. The scores are arrived at by multiplying the "likelihood" score by the "impact" score, where the maximum score for each is four, so the maximum total score is sixteen. The middle column shows the comparable scores one year ago.

Description	June 15 risk score	June 16 risk score
Limited Resources	8	12
Health and Safety at Work	12	12
Information Governance	9	12
Political Stewardship	8	12
Dreamland Operator	9	9
Maximising Digital Delivery	-	9
Project Management	9	9
Recruitment & Retention	9	9
Safeguarding Vulnerable People	6	8
Business Continuity	6	6
Officer Decision Making	-	6

- 3.1 There was no specific risk for “maximising digital delivery” and “officer decision making” last year. The most significant differences are related to limited resources and political stewardship. The high risk as a result of limited resources reflects the fact that it is one of the few risks that in extremis could result in the council losing control of its own destiny. This, coupled with the increasingly challenging and uncertain external financial environment and the known savings required in 2017-18 of £1.26m as per the current Medium Term Financial Strategy, have resulted in an increased overall score. The increased score for political stewardship reflects a re-assessment of the impact of the risk occurring, and the council entering into no overall control. It should be noted that after mitigation, this risk is scored at 6.
- 3.2 Each corporate risk is the responsibility of a member of CMT and they manage risk mitigation plans with the aim of reducing the likelihood and/or impact of each risk to a manageable level. As time moves on, the external environment changes and this can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk. For example, the council is working with the Centre for Public Scrutiny to improve governance, following a successful outcome of the follow-up Peer Review and continued cross-party working. This is in the context of exploratory discussions across Kent regarding devolution. Thanet’s council is becoming more experienced and comfortable with working with no overall political control. All of these factors, when combined with specific actions, can have a positive future impact on political stewardship.
- 3.3 It is more difficult to take action to reduce the impact of a risk occurring, than it is to take action to reduce its likelihood. Hence in some cases, the scores after mitigation will remain relatively high. For example, actions have been and will be carried out to address the high-scoring risk of limited resources, which we should have some confidence in delivering, following a tough 2016-17 budget process that was nonetheless approved last year. But the severity of the impact of the risk becoming manifest (e.g. TDC having to terminate services, make large-scale redundancies and/or be externally governed or managed) has not diminished. The management of this risk is further compounded by the new uncertainty created by the changing external environment, e.g. consultation on the New Homes Bonus, Devolution and the review of local government funding.

#### 4.0 Recommendation

- 4.1 To note the report.

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Reporting to:	Madeline Homer, Chief Executive

### Background Papers

Title	Details of where to access copy
G&A report 24 June 2015: Update report on the corporate risk register	<a href="http://democracy.thanet.gov.uk/documents/s46761/GA%20Report%2024%20June%202015.pdf">http://democracy.thanet.gov.uk/documents/s46761/GA%20Report%2024%20June%202015.pdf</a>
G&A report 9 December 2015: Review of corporate approach to risk management	<a href="http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&amp;MId=4078&amp;Ver=4">http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&amp;MId=4078&amp;Ver=4</a>
G&A report 22 June 2016: Update report on the corporate risk register	<a href="http://democracy.thanet.gov.uk/documents/s51264/GA%2022%20June%20Corporate%20Risk%20Report.pdf">http://democracy.thanet.gov.uk/documents/s51264/GA%2022%20June%20Corporate%20Risk%20Report.pdf</a>

### Corporate Consultation

<b>Finance</b>	Joanna Miller, Head of Financial Services
<b>Legal</b>	Tim Howes, Director of Corporate Governance