

ANNUAL REVIEW OF CORPORATE RISKS INCLUDING QUARTERLY UPDATE

Governance & Audit Committee – 28 June 2017

Report Author	Tim Willis, Director of Corporate Resources
Portfolio Holder	Cllr Derek Crow-Brown, Portfolio Holder (Corporate Governance)
Status	For information
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

This report provides Governance & Audit Committee with an annual review of corporate risks and a quarterly update.

Recommendation(s):

To note the report.

CORPORATE IMPLICATIONS

Financial and Value for Money	The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains reserves including 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.
Legal	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.
Corporate	Governance & Audit Committee approved the Risk Management Strategy on 9 December 2015 which includes a requirement to provide regular corporate risk updates to G&A Committee.
Equalities Act 2010 & Public Sector Equality Duty	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.

	Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.	
	Please indicate which is 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.		

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

CORPORATE VALUES (tick those relevant)✓	
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 reasonable done, is done, to mitigate risk.
- 1.2 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.
- 1.3 The Risk Strategy requires that there is a high-level annual review of corporate risk; this report presents this annual review, as well as incorporating the quarterly update of the corporate risk register.

2.0 Key risk events

2.1 Major recent events in the last quarter that justify a review of specific corporate risks include:

- Dreamland events – it is very much positive news that the progress made by the Dreamland operator in concert with the council has led to a very successful “opening” in May, and a hugely popular Demon Dayz event in June. Such events, whilst the primary responsibility of the organiser SHL, present a number of risks to TDC including reputational and operational risks, especially regarding media management, event planning and cleaning up afterwards. The underlying risks regarding Dreamland remains, though: the operator is still in administration and the council is owner/landlord in some sites; the CPO is still outstanding; and a variety of liabilities and obligations are associated with the site.
- Harbour flap gates – the flap gates controlling sea water entering and exiting the marina are in need of significant repair. There is no provision in the capital programme and the potential losses in the event of a failure could be substantial, some of which may not be insured. Approval for the procurement of repairs/replacements has been obtained via urgency procedures and interim safeguards have been activated.

3.0 Corporate risk register

3.1 A summary of the latest Corporate Risk Register is set out below, together with the risk scores noted by Governance & Audit Committee on 8 March 2017. 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.

Description	Mar 17 risk score	June 17 risk score	Lead
Limited Resources	12	12	Tim W
Health and Safety at Work	12	12	Gavin
Political Stewardship	12	12	Madeline
Local Plan	12	12	Rob
Homelessness	12	12	Rob
Information Governance	9	9	Tim H
Dreamland Operator	9	9	Madeline
Project Management	9	9	Gavin
Harbour flap gates	-	9	Gavin
Safeguarding Vulnerable People	8	8	Rob

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: hence the need to maintain vigilance in respect of mitigation plans as well as new and changing risks.

- 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.

4. Highest-scoring risks

- 4.1 **Limited Resources:** The high score for 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 challenging and uncertain external financial environment, the savings required in 2017-18 and beyond, and the low level of reserves has resulted in a continuing high overall score.
- 4.2 The council is establishing a track record of managing its resources, e.g. some £1.2m of budget savings were delivered as part of the 2016-17 budget process; and the 2016-17 outturn (actual income and expenditure) is broadly in line with budget. Plans are also under way to deliver income generation and cost savings projects to fund the £2.7m budget gap in 2017-18.
- 4.3 However, 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 uncertainty created by the changing external environment, e.g. the review of local government funding and additional uncertainty of the election of a new government.
- 4.4 **Health and Safety at Work:** there is a risk that the council and its staff will cause harm as a result of a lack of robust Health & Safety procedures, failure to embed those procedures, and failure to comply with the procedures. Despite the conclusion to the prosecution by the Health and Safety Executive, there remain substantial risks pending the mitigating actions including the implementation of a H&S management system, however an electronic document management system for all H&S documents will be rolled out over the next 12 months.
- 4.5 **Political Stewardship:** This continues to represent a risk to the council, especially in light of the need to approve publication of the Local Plan. There are actions being delivered through the Strategic Development Group to help develop the role of members; and the council continues to pursue opportunities for cross-party working.
- 4.6 **Local Plan Adoption:** Delay could impact investment in the area, investor confidence, and the commitment of partner organisations. Lack of evidence at Inspection risks planning decisions being overturned, risk of 'special measures' from CLG, no ability to demonstrate 5-year housing land supply, losing appeals or High Court challenges, costs awarded against the council. Mitigation is to ensure the evidence base is robust and defensible and timely and rigorous decision making is upheld.
- 4.7 **Homelessness:** Homelessness is increasing, both locally and nationally. This represents a significant risk to the council, increasing the costs associated with securing temporary and emergency accommodation and impact on the outcomes for residents. The council has reviewed and is delivering its homelessness strategy action plan, is regularly monitoring the levels of homelessness and has commissioned

new services to address the increasing need for support. The council has also submitted bids for new government funding to support homelessness services locally. This work will continue.

5. De-escalated risks

- 5.1 Over time and/or as a result of control measures or a change in risk tolerance, some risks will diminish in comparison to other risks, and hence be removed from the corporate risk register. The risk of Maximising Digital Delivery was de-escalated following the last G&A Committee, as their relative risk diminished. This does not mean it won't still be monitored and managed by the relevant managers.

6.0 Review of the year

- 6.1 The G&A Committee has continued to receive reports on risk management throughout the year. Its understanding of the issues, and members' insights into risk, will be explored by a further workshop on 28 June for members of the Committee. This workshop focused on discussing the top corporate risks; identifying the key actions needed to reduce the likelihood of them occurring; and, if they did occur, actions to reduce the severity of their impact.
- 6.2 The council is consulting on its Local Plan. The risk management process has escalated the risk of delay to the Local Plan to the corporate risk register. The primary risks are reputational, financial and economic risks.
- 6.3 Homelessness has grown as a challenge for many local authorities over the last year, Thanet included. Certainly in the near term, there are additional pressures on Housing as the gap between supply and demand increases, exacerbated by policy changes and poverty.
- 6.4 The major events over the year that have informed the CRR have been:
- The court case for the prosecution by the Health & Safety Executive regarding Hand Arm Vibration Syndrome took place. A wide range of measures have been put in place to identify and manage health and safety issues in relation to the workforce. However, the prosecution imposed a fine and that had to be funded from a provision held in reserves.
 - The Dreamland operator, SHL, went into administration last year. The council had no direct power over this, but it was and 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 a successful future for the operation whilst also protecting the council's interests.
 - There remains continued uncertainty regarding the external funding environment and challenges of delivering the 2017-18 budget and Medium Term Financial Strategy. Although decisions were made to set the 2017-18 budget, there is now the challenge of staying within that budget. And there will be further substantial savings required to deliver the 2018-19 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; and the general election creates still more uncertainty.

- The Manchester bombing in May 2017 gave further impetus to raising awareness of emergency planning and disaster recovery. Disaster recovery and business continuity had already been reviewed, following the failure of air conditioning at Easter weekend which shut down the servers in the Cecil St offices. Steps have been taken to clarify roles and responsibilities out of hours, to bolster our capacity and to upgrade the server environment.

7.0 Recommendation

7.1 To note the report.

Contact Officer:	Tim Willis, Director of Corporate Resources
Reporting to:	Madeline Homer, Chief Executive

Background Papers

Title	Details of where to access copy
G&A report 9 December 2015: Review of corporate approach to risk management	http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&MId=4078&Ver=4
G&A report 8 March 2017: Update report on the corporate risk register	http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&MId=4398&Ver=4

Corporate Consultation

Finance	Tim Willis, Director of Corporate Resources
Legal	Tim Howes, Director of Corporate Governance