

# ANNUAL REVIEW OF CORPORATE RISKS INCLUDING QUARTERLY UPDATE

**25 July 2018**

**Governance & Audit Committee**

Report Author

**Tim Willis, Deputy Chief Executive**

Portfolio Holder

**Cllr Councillor Jason Savage, , Portfolio Holder for  
Corporate Governance and Coastal Development**

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**

<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 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.
<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 regular corporate risk updates to G&A Committee.
<b>Equalities Act 2010 &amp; Public Sector Equality Duty</b>	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>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> <table border="1"> <tr> <td colspan="2">Please indicate which aim is relevant to the report</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td>✓</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table> <p>There are no equality 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.</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.	
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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 and Coastal Protection) 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 Corporate risk register

- 2.1 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.

Ref	Description	Mar 18 score	July 18 Score	Last Year Change
CR-01	Limited Resources	12	12	None
CR-02	Health and Safety at Work	12	12	None
CR-03	Political Stewardship	12	12	None
CR-04	Local Plan	12	12	None
CR-05	Homelessness	12	12	None
CR-06	Harbour flap gates	12	12	None
CR-07	Information Governance	9	12	Up from 9
CR-08	Project Management	9	9	None

- 2.2 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.
- 2.3 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.

### 3. Highest-scoring risks

- 3.1 **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 2018-19 and beyond, and the low level of reserves has resulted in a continuing high overall score.
- 3.2 The council is establishing a track record of managing its resources, e.g. some £2.6m of budget savings were delivered as part of the 2017-18 budget process and the 2017-18 outturn is in line with budget. Plans are also under way to deliver income generation and cost savings projects to fund the £2.8m budget gap in 2018-19.
- 3.3 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.

- 3.4 **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.
- 3.5 **Political Stewardship:** This continues to represent a risk to the council, especially in light of the need to approve publication of the Local Plan. The council continues to pursue opportunities for cross-party working and member training.
- 3.6 **Local Plan Adoption:** The Council is one of 3 Councils who are in intervention as a result of not showing adequate progress on the Local Plan with SoS considering further direct intervention to expedite progress. The Council is now pursuing a revised timetable with the draft local plan going to Council 19th July for decision, the MHCLG have been informed of the revised timetable. Should the Council fail to agree the local plan and it not proceed to publication the Council remains open to:
- A significant delay would likely result in direct intervention by the Minister. The cost of any external work resulting from intervention would have to be borne by the Council;
  - All the time there is no adopted Local Plan, there is a significant risk that the Council cannot demonstrate a 5-year housing land supply. If this occurs, the Council would lose the ability to refuse housing applications in undesirable locations, or could face an increased risk of losing Planning Appeals and consequently a greater risk of costs being granted against the Council;
  - It is also likely that the Council would have to plan for the higher number of homes expected under the Government's new housing need methodology;
  - With the loss of control over new development, there is a greater risk that development will take place on a more unplanned basis;)
  - lack of investor confidence in Thanet potentially impacting on our aspirations for job creation, economic growth and confidence from private sector and/or partner organisations.
  - Allied to this is a significant risk to the provision of key infrastructure to support development - roads; schools; health facilities; etc; and
  - New policies relating to Local Green Space; energy and water efficiency, and internal space standards could not be applied.
- 3.7 **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.
- 3.8 **Information Governance:** One of the key task for the council has been the implementation of General Data Protection Regulation (GDPR). The EU General Data Protection Regulation (GDPR) replaces the Data Protection Directive 95/46/EC and is designed to harmonize data privacy laws across Europe, to protect and empower all EU citizens data privacy and to reshape the way organisations across the region approach data privacy. Non-compliance with the GDPR would compromise comparative data security and fair processing standards and, in turn, risks regulatory action against TDC and the prospect of, potentially, severe monetary penalties.
- 3.9 **Harbour Flap Gates:** The flap gate, mitre gates and lift bridge at the harbour all require urgent refurbishment and improvement. The purpose of this project has been to sustain the long term serviceability of both gate systems and the bridge to

avoid negative impact on marina customers and loss of associated revenue income.

#### **4. De-escalated risks**

- 4.1 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.

#### **5.0 Review of the year**

- 5.1 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, with workshops being held for members of the Committee. The workshops 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.
- 5.2 The risk management process has escalated the risk of further delay to the Local Plan to the corporate risk register.
- 5.3 Homelessness has grown as a challenge for many local authorities over the last year, Thanet included. There are additional pressures on Housing as the gap between supply and demand increases but plans have been developed to ensure that this pressure is minimised. 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. This work will continue. The council has successfully bid for new government funding to support homelessness services locally, and been awarded additional flexible homelessness grant. Preparations for the introduction of the Homelessness Reduction Act which came into force in April 2018 have been completed. The council is also looking at introducing charges for residents in temporary and emergency accommodation to help with cost recovery with a Temporary Accommodation Officer leading on collection of charges, maximising housing benefit income and support households to move on to permanent homes. One of the options to increase the supply of permanent homes for homeless families which is the new housing acquisition programme is being implemented with 4 homes having been purchased and 3 further properties awaiting valuations. The 2018-19 capital programme includes provision for TDC developing or acquiring own emergency and temporary accommodation to help reduce cost and improve quality.
- 5.4 The major events over the year that have informed the CRR have been:
- Refurbishment of the Flap gates at the harbour. A bid for an urgent capital project was agreed in 2017-18 to refurbish the gates and bridge including hydraulic and electrical systems to sustain the long term serviceability of both gate systems and the bridge and to support continued revenue income generation by providing a reliable service to marina customers. Contract was awarded to Ravenstein who have completed all relevant surveys and the Mitre gates and Lift bridge were both removed on the 26th May, to be repaired and refurbished. The Mitre gates were re-installed on the 29th June and opening and closing is being monitored. Once we are satisfied that they are working the Flap Gates will be removed for refurbishment. Once removed the Flap Gates will be out of service for a 28 day period. Opening and closing of the gates during that time will be carried out manually. On the return of the Flap

Gates all the additional infrastructure, electronics and hydraulics will be installed with the whole system fully automated and operation.

- General Data Protection Regulation (GDPR) implementation. This has required undertaking many tasks for example, GDPR awareness training for TDC staff and Members; working jointly with DCC; CCC and other Kent authorities to provide common approaches and templates; ensuring that TDC has displayed Corporate and Service Privacy Notices where required e.g on the council's website; review/amend contracts. Internal Audit has also been commissioned to review GDPR implementation. Another aspect of GDPR is Payment Card Industry Data Security Standard (PCI DSS) Compliance. PCI DSS applies to companies of any size that accept credit card payments. If your company intends to accept card payment, and store, process and transmit cardholder data, you need to host your data securely with a PCI compliant hosting provider. The council needs to ensure training is provided to all staff who are affected.
- Health & Safety at Work: The new cloud based document management system TAM (The Action Manager) has been rolled out. After a period of training and information transfer it is now fully online, with the health and safety documents library transfer complete, accident/incident reporting fully implemented, PPE (personal protective equipment) documentation transferred, COSHH (Control of Substances Hazardous to Health) data completed and the risk assessment transfer phase is almost complete. Weekly automated email dashboards are sent to management and users alike and real time data can be accessed depending on level of access. Heads of Service, managers have full access to their respective departments and can use the tasking system on TAM to shape their respective areas health and safety compliance. Some further training needs have been identified and these will be incorporated into a programme of training across TDC. Additional administrative resource will also be made available to manage the system. This will ensure that the existing momentum is maintained and that the system becomes fully embedded across the whole of the council.
- 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.
- There remains continued uncertainty regarding the external funding environment and challenges of delivering the 2018-19 budget and Medium Term Financial Strategy. Although decisions were made to set the 2018-19 budget, there is now the challenge of staying within that budget. And there will be further substantial savings required to deliver the 2019-20 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.

## **6.0 Recommendation**

### **6.1 To note the report.**

Contact Officer:	Ramesh Prashar. Head of Financial Services
Reporting to:	Tim Willis, Deputy Chief Executive.

### **Corporate Consultation**

<b>Finance</b>	Ramesh Prashar. Head of Financial Services
<b>Legal</b>	Tim Howes, Director of Corporate Governance