

# RISK MANAGEMENT STRATEGY

6 March 2019

**Governance & Audit Committee**

Report Author

**Tim Willis, Deputy Chief Executive & S151 Officer**

Ward:

**All**

## **Executive Summary:**

This report seeks approval for a revised Risk Management Strategy, the existing strategy having been approved in 2015.

## **Recommendation(s):**

To approve the revised Risk Management Strategy.

## **CORPORATE IMPLICATIONS**

<b>Financial and Value for Money</b>	There are no direct cost implications. Strategic financial considerations are contained in the report.	
<b>Legal</b>	Local Authorities must be able to demonstrate compliance with the statutory principles of good governance. Local government operates in an ever changing environment with increasing complexity. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with internal control and the management of risk.	
<b>Corporate</b>	Governance & Audit Committee approved the Risk Management Strategy on 9 December 2015 which includes a requirement to renew the Strategy in 2018. This was deferred to March at the last meeting of 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.	
	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,	<input type="checkbox"/>
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	<input checked="" type="checkbox"/>

	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 (RM) 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 has assigned responsibility to councillors and officers to ensure that resources are used effectively and all that can reasonably be done, is done, to mitigate risk. Once approved, the next strategy will be reviewed in four years' time, unless there is a reason to do so at an earlier date.

## **2.0 Risk Context**

- 2.1 Many of the general context and themes that were present in 2015 are still applicable today. There are many external stresses and demands on the council, but there are also some risks that have been, and are, internally generated. Perhaps the single most positive change since 2015 is that some substantial financial liabilities have been unearthed and fully provided for. This includes the cost of settling Hand Arm Vibration Syndrome claims, making full provision for uncollectible income from Transeuropa, settling and making provision for live animal export claims and identifying and funding the cost of the Dreamland CPO and associated works. For 2019-20, after an extensive period of debate and dialogue, the source of much of these risks as well as an ongoing drain on council resources - Ramsgate Port - has begun to address its operating costs and focus on servicing existing port contractors.
- 2.2 At the time of writing, Brexit remains a significant risk for the council. In common with many public bodies, the council can do very little to mitigate the likelihood of an adverse outcome, as this is in the hands of a few national politicians and of Parliament. Mitigating the local impact is possible, but there is wide-scale uncertainty about what the impacts could be, depending on different Brexit scenarios, so it is difficult to be sure of how these adverse impacts should be mitigated. Additionally, there are particular risks related to the geographic location of Thanet, being near the Port of Dover, the Channel Tunnel and containing the site identified as a major lorry park.
- 2.3 The council has for years identified Limited Resources as one of its top risks. This continues to be the case. There may have been some stabilisation of council finances

in recent years, and a recognition (publicly and financially, in the accounts) of mistakes and liabilities. But Thanet remains a local authority with very low reserves and very little scope to do anything, year on year, other than reduce running costs and to fund investment in assets from selling other assets. Some other authorities have been able to create some headroom and risk appetite to invest in new or expanded services and/or buy assets, both of which can earn a long-term return. This can support the revenue budget and so help to mitigate the losses in external government funding. Thanet has lived a hand-to-mouth existence for many years, trapped in a cycle of cost-cutting and a dependency on ever-depleting government funding, without the wherewithal to take the radical steps needed to lift the council out of this cycle.

- 2.4 Recent events have further increased finance-related risks, which can be characterised as financial stewardship as distinct from limited resources. Poor financial stewardship can lead to lower resources - the best example being the likely budget overspend in 2018-19. In the past, Thanet has been able to point to tightly-managed budgets as an example of how, despite very little to work with, it has shown good stewardship. But the overspend is forecast to be close to £1m. In practice, this can at least partially be funded by a one-off windfall from Thanet's participation in the 2018-19 Kent Business Rates Retention pilot. What is frustrating is that whilst other Kent districts are able to bank their windfalls to help create a fund to invest in assets and services, Thanet will have spent the windfall before having received it.
- 2.5 A further concern is in relation to the budget. Despite publication in the Forward Plan, extensive briefings and consultation on the budget contents, and with 15 January Cabinet setting out the options, Council failed to consider the annual budget report on 7 February. This obviously increased the risk of breaking the law by failing to agree a balanced budget. But it also delayed the implementation of budget savings, which were awaiting Council budget approval, potentially creating in-year budget problems before 2019-20 have even started. Finally, it will have caught the attention of the public, media, potential partners, government and external audit. This type of negative attention does not send messages that the council is a reliable partner or trustworthy custodian of public funds.

### **3.0 Changes to the RM Strategy**

- 3.1 In 2015 a RM Strategy and RM Process were approved. Although these documents have been of value since that date, there was some degree of overlap and one objective of the revised RM Strategy was to substantially reduce the 28 pages that comprises the current documents. It is also the intention that the new Strategy clearly sets out the way in which the organisation manages risk, and who is responsible for what.
- 3.2 A key part of the integration of the RM Strategy is through communication and training. The new cohort of 2019 members, particularly those that sit on Governance & Audit Committee, will be inducted into their role in relation to RM. Cabinet will also be invited to nominate a new member Risk Champion.

3.3 Council officers will be refreshing the format of corporate and service risk registers over the coming months. Additionally, the role of risk management in respect of projects will be reviewed. The new RM Strategy will inform these new approaches.

#### 4.0 Recommendation

4.1 To approve the revised Risk Management Strategy.

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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	<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>

#### Corporate Consultation

<b>Finance</b>	Tim Willis, Deputy Chief Executive and S151 Officer
<b>Legal</b>	Tim Howes, Director of Corporate Governance