

## CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

6 March 2019	<b>Governance and Audit Committee</b>
Report Author	<b>Tim Willis, Deputy Chief Executive and s151 Officer</b>
Portfolio Holder	<b>Councillor Ashbee, Portfolio Holder for Corporate Governance and Coastal Development</b>
Status	<b>For information</b>
Classification:	<b>Unrestricted</b>
Key Decision	<b>No</b>
Ward:	<b>All</b>

### Executive Summary:

This report provides Governance & Audit Committee with a quarterly review of corporate risks.

### 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

	<p>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> <table border="1" style="width: 100%;"> <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 style="text-align: center;">✓</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 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.</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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<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 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 Development) 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). 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 review of corporate risk; this report presents the quarterly update of the corporate risk register.

## 2.0 Corporate risk register

- 2.1 A summary of the highest scoring corporate risks on the register is set out below, together with the comparative scores noted by Governance & Audit Committee on 5 December 2018. 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	Dec 18 Score	Mar 19 Score	Change
CR-05	Political Stewardship	16	16	No change
CR-01	Limited Resources	12	16	Increased
CR-09	Brexit	12	12	No change
CR-02	Homelessness	12	9	Reduced

- 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, see **Annex 1**. 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.

## 3.0 Highest-scoring risks

- 3.1 **Political Stewardship:** This continues to represent a risk to the council due to the number of political parties represented and the minority administration. Even though the Local Plan was recently adopted, it is still evident that there remain ongoing issues which could have a significant effect on the council. The council continues to pursue opportunities to support cross-party working and member training.
- 3.2 **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.

There remains continued uncertainty regarding the external funding environment and

challenges still exist with delivering the 2018-19 budget. Although decisions were made to set the 2018-19 budget, there still remains the challenge of staying within that budget, as evidenced by the quarterly monitoring reports. Quarter 1 forecast a £750k overspend, quarter 2 was £680k after Corporate Resources brought forward efficiencies that were originally identified for 2019-20. Quarter 3 will be reported to Cabinet on 14 March but indications are that the forecast overspend will be closer to £900k. This shows the lack of action that has been taken to reduce the overspending areas. The only solution on offer is the windfall from the additional business rate income this year, which is the one-off benefit of being in the Kent Business Rate Retention pilot. Other pilot authorities have been able to set this aside for reserves, or investment; Thanet has effectively spent the windfall, even before it has accrued.

Cabinet received an updated Medium Term Financial Strategy for 2019-23 in September showing that savings of £1.8m were estimated to be required to deliver the 2019-20 budget and steps were taken as part of the 2019-20 budget preparation to bridge the gap. However, the budget report to Council on 7 February was withdrawn by Cabinet, and at the time of writing this report, there is uncertainty regarding the process, timetable and content of the budget. There is the practical risk that this brings, given the extremely limited time available to complete the work and carry out appropriate consultation and the likely late delivery of some of the budget saving actions. But it also increases the general risk regarding financial stewardship: despite publishing dates in the Forward Plan, consulting and briefing on the budget - the most important financial event of the municipal year - the Council did not go through with considering and approving the budget on 7 February. This, coupled with the poor performance on budget monitoring, is the type of backdrop that leads to, at worst, intervention and potentially, a qualified audit opinion for value for money.

Legally, the Council must set a budget by 11 March. It would be normal for Council to approve the budget in early February, then agree the Council Tax in late February, allowing sufficient time for the Accountancy and Revenues teams to calculate and reconcile all the Council Tax levels and precepts, prepare bills and send them out. It is likely that the Council that sets the budget will now also have to agree the Council Tax, which increases uncertainty; and if that date goes beyond the scheduled Council Tax setting date of 28 February, it increases pressure to complete this work.

All of this is being undertaken within the context of an uncertain financial environment. For example, the government will be conducting a Spending Review in 2019; local government is subject to a Fair Funding Review, planned to be implemented in 2020-21; and the Business Rates Review, also planned for 2020-21, is another unknown.

Therefore, the likelihood and 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 increased - regardless of whether or not the Council sets a balanced budget and Council Tax this year.

- 3.3 **Homelessness:** 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 has been awarded an additional flexible homelessness grant.

The Homelessness Reduction Act came into force in April 2018 and its implications have been incorporated in changed processes and structures. 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 supporting households to move on to permanent homes.

One of the options to increase the supply of permanent homes for homeless families is the new housing acquisition programme which is being implemented. The capital programme includes provision for TDC developing or acquiring its own emergency and temporary accommodation to help reduce cost and improve quality.

- 4.1 **Brexit** - The UK is due to leave the European Union on 29 March 2019. UK Government is continuing to work on arriving at an agreed deal on exit. Significant risk prevails should no deal be agreed within the timescale. Whilst there are national concerns that must be addressed, the council must focus primarily on managing those risks which have a local and regional impact in particular. The scale of its effect should not be underestimated and the council has already begun some contingency planning for a disorderly Brexit. The significant issues to consider are those concerning the strategic transport network, funding and the port. In addition, the council has identified a number of issues that could potentially impact on the council's ability to deliver its services.

## 6.0 Risk management strategy and processes

- 6.1 The Risk Management Strategy requires review and updating: this is the subject of a separate item on this agenda.

## 7.0 Recommendation

- 7.1 To note the report.

Contact Officer:	Matthew Sanham, Interim Head of Financial and Procurement Services
Reporting to:	Tim Willis, Deputy Chief Executive and s151 Officer

## Annex List

Annex 1	Mitigation Plans
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## Corporate Consultation

<b>Finance</b>	Matthew Sanham, Interim Head of Financial and Procurement Services
<b>Legal</b>	Tim Howes, Director of Corporate Governance

