

# CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance and Audit Committee	<b>4 March 2020</b>
Report Author	<b>Chris Blundell, Head of Financial and Procurement Services</b>
Portfolio Holder	<b>Councillor Duckworth, 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 the 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 revised Risk Management Strategy on 6 March 2019 which includes a requirement to provide regular corporate risk updates to G&A Committee.
<b>Equalities Act 2010 &amp; Public</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

<b>Sector Equality Duty</b>	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.		

<b>CORPORATE PRIORITIES (tick those relevant) ✓</b>	
Growth	✓
Environment	✓
Communities	✓

## 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 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 the Governance & Audit Committee on 3 December 2019. 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 19 Score	Mar 19 Score	Change
CR-05	Political Stewardship	16	16	No change
CR-10	EKH Performance/Transition	16	16	No change
CR-01	Limited Resources	12	12	No change
CR-09	Brexit	12	12	No change

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.

## 3.0 Highest-scoring risks

3.1 **Political Stewardship (Impact 4, Probability 4):** This continues to represent a risk to the council, as demonstrated by the change in Council leadership last year, the Council remains in no overall control. 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 induction training for new members has taken place post election.

3.2 **East Kent Housing Performance/Transition (Impact 4, Probability 4):** Deteriorating performance of EKH has resulted in unacceptable risks to TDC tenants and residents. On 15 January 2019 an EKH improvement plan was approved by Cabinet that came into effect on 1 April 2019 and runs through to 30 September 2020. As a result of the plan, EKH are being closely measured on their key performance indicators.

A lack of gas safety certificates for a high number of properties across Dover, Canterbury, Folkestone and Hythe and Thanet has raised the risk profile of EKH's ability to meet all aspects of the improvement plan and a report to Cabinet was presented by the Council's monitoring officer on 25 July 2019 regarding the breach of regulations.

TDC alongside the other councils has reported back to Cabinet on 17 February 2020 regarding the future of EKH following tenant consultation. The outcome from consultation recommends that the service is brought back in house. The Cabinet decision itself results in an element of risk. This relates to two key areas: financial and service delivery. It is important to develop a robust structure so that a good level of service can be provided to tenants, but whilst ensuring on-going financial sustainability for the Housing Revenue Account (HRA). There will also be one-off costs associated with the transfer that will need to be assessed and managed. The report that went to Cabinet on 17 February includes an estimate for these costs.

As part of the transition arrangements, a dedicated structure has been set up to deal with emerging issues as transition progresses. Thanet has also factored in the costs of a Transition Project Manager within the HRA 2020-21 budget, who will assess emerging risks associated with the transition and help deliver mitigating actions.

- 3.3 **Limited Resources (Impact 4, Probability 3):** 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.

Due to national political uncertainty and an unresolved Brexit, the Chancellor confirmed that Councils will now get a 'one-year roll-over settlement' for 2020-21. This has severe implications for financial planning in the Medium Term Financial Strategy and any longer term planning. Due to the government's focus on Brexit, the Fair Funding Review, planned to be implemented in 2020-21 has also slipped to 2021-22.

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) remains high, not only now but for the immediate future.

The Council has recently approved the 2020-21 budget, however the abstention of a significant number of members on the vote in itself demonstrates the difficult financial decisions that are to be made to ensure the Council remains financially sound across both the general fund and HRA in the coming years.

A review of the council's financial management will be conducted during 2020 and this will provide additional assurance that there are sufficient controls in place to maintain good governance.

- 3.4 **Brexit (Impact 3, Probability 4) -** The UK left the European Union on 31 January 2020. UK Government is still continuing to work on arriving at an agreed deal on exit,

with the true impacts of exiting the EU only likely to be felt after the transition period has concluded in December 2020.

Therefore significant risk may still manifest and 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 identified a lead officer to lead on Brexit related issues and progressed 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 the council's ability to deliver its services.

## **5.0 Recommendation**

5.1 To note the report.

Contact Officer:	Chris Blundell, Head of Financial and Procurement Services
Reporting to:	Tim Willis, Deputy Chief Executive and S151 Officer

### **Annex List**

N/A	
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### **Corporate Consultation**

<b>Finance</b>	Chris Blundell, Head of Financial and Procurement Services
<b>Legal</b>	Tim Howes, Director of Corporate Governance