

CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance and Audit Committee	28 July 2021
Report Author	Chris Blundell, Head of Financial and Procurement Services
Portfolio Holder	Councillor Ashbee, Portfolio Holder for Corporate Performance and Risk
Status	For information
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

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

Recommendation(s):

1. To approve the review of corporate risks.

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.

It is the role and responsibility of the Section 151 Office to have active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.

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 revised Risk Management Strategy on 6 March 2019, which includes a requirement to provide regular corporate risk updates to G&A Committee.

Equality 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.

This report relates to the following aim of the equality duty: -

- *To advance equality of opportunity 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

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1.0 Introduction

- 1.1. The Council monitors and manages its corporate risks through the Corporate Risk Register. The contents of the report highlight the high-priority corporate risks and show the arrangements in place to ensure these risks are monitored and managed appropriately.

2.0 Background

- 2.1 The Risk Management Strategy 2019-23 was approved by the Governance and Audit Committee at its meeting on 6 March 2019.
- 2.2 The strategy defines corporate risks as *'those which could impact across the whole council including those relating to partnerships'*. The strategy prescribes that these risks should be assessed by the Corporate Management Team (CMT) and the

Member Risk Management Champion and then reported to the Governance and Audit Committee on a regular basis.

3.0 Risk, Risk Management and Responsibilities

3.1 **What is risk** - Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.

Risk can be a threat (downside) or an opportunity (upside)

3.2 A local authority's purpose is generally concerned with the delivery of service or with the delivery of a beneficial outcome in the public interest. The delivery of these objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success.

3.3 **What risk management** - Risk Management can be defined as:

*'Risk Management is the process by which risks are **identified, evaluated and controlled**. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements'*

(Audit Commission)

3.4 Risks have to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risk management includes identifying and assessing risks and then responding to them. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the "risk appetite".

3.5 **Roles and responsibilities** - The primary member oversight on risk is provided by the Governance and Audit 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.

3.6 At staff level, the high-level corporate risk register is regularly considered by the 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.

3.7 The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on Audit Committees (2018) sets out the key principles for audit committees operating in local government.

3.8 The statement sets out the key responsibilities of the committee to include:

*'consider the **effectiveness** of the authority's **risk management arrangements** and the control environment, reviewing the risk profile of the organisation and*

assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations'

3.9 The report seeks to aid the committee to discharge these responsibilities.

4.0 Corporate Risk Register

4.1 A summary of the highest scoring corporate risks on the register is set out in the table and the following narrative below, together with the comparative scores noted by the Governance & Audit Committee on 3 March 2021.

4.2 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 21 Score	Jul 21 Score	Change
CR-05	Political Stewardship	16	16	No change
CR-11	Covid-19	16	16	No change
CR-12	Cyber Attack	16	16	No change
CR-13	Governance	-	16	New
CR-01	Limited Resources	12	12	No change
CR-05	Homelessness	9	12	Added
CR-09	Brexit	12	12	No change

4.3 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.

4.4 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.

5. Highest-scoring risks

5.1 **Political Stewardship (Impact 4, Probability 4):** The Council has recently changed from a Labour administration back to Conservative, due to continued leadership changes political stewardship remains a risk to the council. The council continues to pursue opportunities to support cross-party working and induction training for new members took place post election.

- 5.2 **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.

The impact of Covid-19 on the council's finances has been profound. During the summer of 2020, as the first wave had a major impact on residents and businesses, it also had a major impact on the council's spending (as we attempted to alleviate the worst aspects of the virus) and income (through reductions in fees and charges, Council Tax and Business Rates). For the current year, the council has also administered substantial financial support to residents and businesses.

Against this background, the council has now approved the 2021-22 budget, however the impact of Covid-19 on both income and expenditure forecasts led to a report to Cabinet on 30 July 2020 and Council on 10 September 2020. In addition, the budget monitoring report no.3 to Cabinet estimated the financial impact of Covid was £5.2m against an estimated £3.5m of government funding, leaving a budget gap of £1.7m.

As a result, difficult decisions have been made about the use of reserves to bridge this gap. A knock on effect of the pandemic is also likely to impact on the budget process for 2022-23 and the Medium Term Financial Strategy. Further difficult decisions will be required over this medium term to ensure reserves are replenished.

There is uncertainty about the shape of local government finance envisaged as a result of national reviews of Fair Funding and Business Rates. These reviews have major implications for the council's Budget and Medium Term Financial Strategy.

- 5.3 **Brexit (Impact 3, Probability 4) -** The UK left the European Union on 31 January 2020. The UK Government has now agreed a deal with the European Union.

Although the deal is positive news for the UK and more beneficial than no deal, there are potential issues that may still arise during an initial adjustment period. The recent issue around the export of vaccines from the EU to other third countries is an example of this.

Although there has been some bedding in of the UK exit from the EU there are still significant areas of national concern 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 progress contingency planning.

The Council has previously received £500k additional funding from the Government to assist with some of the additional impact of Brexit on local issues and these are currently being used to mitigate some of the impact.

- 5.4 **Coronavirus (Impact 4, Probability 4):** In 'normal' emergencies, local authorities and local resilience forums deal first with an emergency and then the Recovery – getting back to 'business as usual' (for example, when the flood waters recede, work takes place to repair any damage and to get people back into their homes). The Recovery from the Covid-19 Pandemic will be unlike any other in our lifetimes. The crisis has gone on for longer, been more extreme and will have more profound consequences than anything we have prepared for before.

Restrictions were due to be lifted in June but the Delta variant has seen some restrictions extended into July. Although England still has a clear timetable out of the pandemic, the unpredictable nature of events could lead to an impact on future planning as well as significant challenges in running a normal service.

The current pandemic spans other Emergency Planning events including the end of the Brexit Transition Phase and that for much of it, staff and partners will be working remotely. Finally, the sheer scale and breadth of the social and economic impacts means that we will be entering uncharted territory and it is hard to predict where we will end up.

- 5.5 **Cyber Attack (Impact 4, Probability 4):** The Council is becoming more and more aware of cyber attacks across the local government sector. This and recent attempts to send emails to staff from internal email addresses such as the Chief Executive's, further highlights the impending risk to internal systems.

At a time when the majority of staff are working from home due to the pandemic, a much higher reliance on IT systems is needed and therefore the risk of disruption to Council services as a result of a Cyber attack is heightened.

The Council is mitigating the impact of any potential attack by ensuring IT systems are as robust as possible, but as we've seen globally, even the larger international companies are still susceptible to attack.

Cyber insurance is also being assessed to ensure that the Council can protect itself against the financial impact that could be caused by such an event.

6. New Risks

6.1 **Governance (Impact 4, Probability 4):**

Governance & Audit Committee will have reports on this agenda that outline progress on corporate governance matters, many of which remain outstanding. The financial risks attached to these issues are substantial. The council's General Purpose Committee (GPC) and its Investigatory and Disciplinary Sub Committee (IDSC) are considering on-going disciplinary and grievance matters. Cabinet approval was granted on 8 June 2021 for a budget for anticipated possible costs of up to £733k to fund current and on-going legal fees associated with these matters, however the exact funding source was at the time still to be identified. The progress and conclusion of these matters present both a financial and reputational risk to the authority. Apart from the costs set out in the Cabinet report, there has been (and continue to be) costs in excess of £167k associated with the salaries of suspended

staff, as well as costs incurred in 2019-20 which also related to disciplinary and grievance matters.

7. Re-emerging risks

7.1 Homelessness (Impact 3, Probability 4)

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 and previously 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 also successfully bid for new government funding to support homelessness services locally.

However the Council is seeing another surge of homelessness across the district as a result of Covid/Brexit and in addition the eviction ban coming to an end on 1 June will add additional financial pressures.

These financial pressures are currently estimated at up to £500k for 2021/22 based on current homelessness levels, although this excludes any potential impact of the evictions ban, as due to the 14 day notice periods the impact of this will only just be becoming evident.

8. Recommendation

8.1 To approve the review of corporate risks.

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Corporate Consultation

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