

CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance and Audit Committee	1 December 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	<p>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.</p> <p>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.</p>
Legal	<p>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.</p>

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.								
Equalities Act 2010 & Public Sector Equality Duty	<p>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> <p>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.</p> <table border="1" data-bbox="432 808 1401 1178"> <tr> <td colspan="2" data-bbox="432 808 1401 875">Please indicate which aim is relevant to the report</td> </tr> <tr> <td data-bbox="432 875 1310 976">Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td data-bbox="1310 875 1401 976"></td> </tr> <tr> <td data-bbox="432 976 1310 1077">Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td data-bbox="1310 976 1401 1077">✓</td> </tr> <tr> <td data-bbox="432 1077 1310 1178">Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td data-bbox="1310 1077 1401 1178"></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.	
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.									

CORPORATE PRIORITIES (tick those relevant)✓	
Growth	✓
Environment	✓
Communities	✓

1. 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. 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. 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. 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 28 July 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	Jul 21 Score	Dec 21 Score	Change
CR-03	Political Stewardship	16	16	No change
CR-12	Cyber Attack	16	16	No change
CR-13	Governance	16	16	No change
CR-14	Berth 4/5	9	16	Increased
CR-05	Homelessness	12	16	Increased
CR-01	Limited Resources	12	12	No change
CR-09	Economic Resources	12	12	No change
CR-11	Covid-19	16	12	Reduced
CR-15	Environmental Act 2021	-	12	New

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 is now under Conservative control, however this came after a period of continued leadership

change and so 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.

- 5.2. **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.

- 5.3. **Governance (Impact 4, Probability 4):** Statutory Recommendations were received from the external auditors, Grant Thornton, in relation to governance matters and an extraordinary Council meeting is scheduled for 2 November 2021 to consider these recommendations. Some of the related disciplinary and grievance matters have now concluded following Tim Willis' settlement agreement. 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; a proportion of this funding has been reallocated to fund Tim Willis' settlement.

However, there remain some governance, disciplinary and grievance matters that still need to be resolved. The progress and conclusion of these matters continue to present both a financial and reputational risk to the authority.

- 5.4. **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 draft budget gap for 2021-22 has been forecast at £1.8m. Savings proposals are being produced to address this, but the "deliverability" of these savings will be challenging as the council feels the accumulated strain from the savings, cuts and efficiencies that have been imposed after a decade of austerity. Furthermore, there remains 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.

The in-year 2021-22 financial position continues to be dominated by the impact of Covid-19. For the early part of this year, the council continued to administer substantial financial support to residents and businesses whom remained affected, there is also a continued 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).

Thanet's reserves remain relatively low even before Covid-19. Monies were set aside in reserves last year with the specific purpose of addressing Covid-19 and additional Government support is anticipated this year. If spend exceeds these allocations difficult decisions will need to be made to identify reserves to bridge any potential gap. The most recent monitoring indicates that we will be able to balance the in-year budget overspend by allocating the £1m of additional Covid funding received and some £1m of residual Covid reserve.

- 5.5. **Homelessness (Impact 4, 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 need 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. The district has seen increased pressures on the local private rented sector, driving increases in average rent levels and resulting in a growing gap between rents and local housing allowances. In addition, with the eviction ban coming to an end on 1 June 2021 we are now seeing cases progress through the courts, resulting in additional service and financial pressures. These pressures have made it much more difficult for the council to find suitable, affordable solutions for people facing homelessness in the private rented sector, resulting in an increased number of households living in temporary accommodation.

The financial pressures are currently estimated at up to £500k for 2021/22 based on current homelessness levels.

The service has also seen a number of members of staff leave the authority recently and so resources within the section are also stretched at the moment, although interim resourcing is being put in place to ensure continuation of service.

- 5.6. **Economic resources (Impact 3, Probability 4) -** A combination of Brexit and Covid has seen a significant impact on the Council's supply chain.

The combination of these factors has meant a shortage of HGV drivers and combined with the increased costs of products being imported via shipping containers, has created the perfect storm of increased prices and shortage of supplies.

This is prevalent in the construction industry and could lead to a rationation of some schemes in order to ensure they are delivered within budget or the potential for significant overspends.

As this is not an issue exclusive to one-off projects though additional pressures will be felt across both the general fund and housing revenue account in the delivery of day-to-day services leading potentially to some tough choices on what is deliverable within the available budget.

6. New/Emerging Risks

Berth 4/5 (Impact 4, Probability 4): The project has been delayed whilst an environmental impact assessment is developed to inform planning and marine licencing consents. The original berth was taken out of service in November 2020 due to its deteriorated condition.

A Cabinet decision was made in July 2021 to increase budget provision for the project. The project team including engineering and ecology consultants is progressing the EIA as quickly as possible following approval of the required additional funding. Early and regular engagement is taking place with statutory consultees where possible. The revised programme for project delivery indicates a May 2022 construction start subject to consents.

However these delays have resulted in a financial risk to the council due to extended berth outage. This has led to increased costs associated with the berth replacement contract and also potential pass through of extra/over costs from the customer for road haulage of aggregates until the new berth is ready for service.

6.1. Environmental Act (Impact 3, Probability 4)

The Environment Act became law on 9 November 2021. This includes fundamental changes in responsibility for waste and recycling which will have implications for the way we deliver statutory household waste collections.

As a member of the Kent Resource Partnership, TDC responded to Government consultations this year on consistency of household collections, Extended Producer Responsibility and a Deposit Return Scheme. Changes affecting household waste as a result of the new act are likely to be implemented in 2023. Whilst the act includes provision for funding and support to local authorities for the proposed changes, the implications for our vehicle fleet and resourcing, income associated with green waste and income from recycling and waste diverted from landfill are not yet clear.

7. Reduced Risks

- 7.1. **Coronavirus (Impact 4, Probability 3):** 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.

The majority of restrictions have now been lifted, however due to the unpredictable nature of Covid the reintroduction of some form of restrictions in the future remains a risk.

8. Other risks

- 8.1. At the last G&A meeting members requested to have oversight of all risks as part of the regular reports. This would however substantially increase the size of the report and so all risks scoring 9 or more after mitigation have been included within **Annex 1**.
- 8.2. All risk registers are available for member review via this link [Service Risk Registers](#)

9. Recommendation

- 9.1. To approve the review of corporate risks

Contact Officer: Chris Blundell (Director of Finance)

Reporting to: *Madeline Homer (Chief Executive)*

Annex 1

Risk Name	Risk Description	Original Score	Mitigating Actions	Score after mitigation
Burial Space	There are currently an estimated 18 months of remaining capacity if the current death / burial (circa 95 per annum) rate continues. In the event of a Pandemic this clearly would cause concern.	12	Re-use of ancient graves, in-fill in vacant spots which cannot be accessed by machinery so must be hand dug. Promote the use of Ramsgate Cemetery where there is opportunity to re-use existing graves and land being cleared providing new burial space.	9
Reduction in Supplier Base	Reduction in supplier base through mergers, business closure/insolvency, which could impact on our services and also make further procurement more difficult through depleted markets and lack of competition	12	Supplier base managed centrally by Procurement who scrutinise rationale for Supplier Adoption and undertake a company credit check via Creditsafe. Process is undertaken electronically with spending officer submitting appropriate form. Apr 2021 Covid 19 - TDC maintaining BAU Procurement activity, working in supplier market env (PPE) sourcing additional supply chains as necessary, working with KRF SCG to secure alternative supply	9
Coastal safety information signage is inadequate	Risk of serious harm to public. At some bays there is no safety signage, at others where it does exist it is out of date and insufficient Needs to be all year round at all bays whether lifeguarded or not. The RNLI have produced a signage review report with costs, recommendations. However no budget exists for this.	9	Funds need to be found to implement signs. Approx £60k.	9