

## **CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE**

**Governance and Audit Committee** 28th September 2022

<b>Report Author</b>	Chris Blundell, Acting Deputy Chief Executive and Section 151 Officer
<b>Portfolio Holder</b>	Councillor Ashbee, Leader of the Council and Portfolio Holder for Corporate Performance and Risk
<b>Status</b>	For information
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Ward:</b>	All

### **Executive Summary:**

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

### **Recommendation(s):**

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 27 July 2022, which includes a requirement to provide regular corporate risk updates to G&A Committee.

## **Equalities Act 2010 & Public Sector Equality Duty**

There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by council.

## **CORPORATE PRIORITIES**

This report relates to the following corporate priorities: -

- 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 2022 was approved at the G&A committee on the 27th July 2022. Consequently, the council is in the process of transitioning to operating under the new risk management strategy and our associated new way of monitoring, evaluating and reporting risk. Due to the latest reporting cycle coinciding with the summer holiday season and a period of flux within the management structure it has not yet been possible to complete all the service risk registers in accordance with the new reporting regime. Therefore, we have taken the decision to present this September report in the previous format, albeit with an expanded Annex 1; which covers the medium rated risks.
- 2.2. Officers will endeavour to produce a report inline with the new Risk Management Strategy (e.g. with risks categorised between current/future/emerging) for the G&A meeting on the 30/11/22; along with a refreshed look to the report, which should be more engaging and relevant for the committee.
- 2.3. 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 Leader of the Council and Portfolio Holder for Corporate Performance and Risk) 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 July 2022
- 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 22 Score	Sept 22 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-01	Limited Resources	12	12	No change
CR-17	Inflation / Cost of living	16	16	No change
CR-09	Economic Resources/Environment	12	12	No change
CR-05	Homelessness	16	16	No change
CR-14	Berth 4/5	16	12	Reduced
CR-11	Covid-19	12	12	No change
CR-15	Environmental Act 2021	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 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.

The Council did look at Cyber insurance to ensure that the Council can protect itself against the financial impact that could be caused by such an event. Unfortunately the cyber market is now not conducive to our risk profile.

With that in mind we have been liaising with our risk management partners at our insurers and agreeing to look into risk management solutions with them in lieu of Cyber Insurance - further updates will follow

### 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 agreed the recommendations.

Following the appointment of an Independent Monitoring Officer in December 2021 to address Grant Thornton's concerns, his recommendations were approved at the May 2022 Council meeting.

A new interim Chief Executive was subsequently appointed on 14 July 2022, whose remit it is to review and implement the recommendations of the Independent Monitoring Officer.

A timetable for delivery of those actions has been drawn up and whilst these are being implemented governance will continue to pose a high risk.

### 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 quarter 1 budget monitoring report is currently forecasting an overspend of just under £1.8m for the General Fund in 2022/23 with the key areas of overspend being on services impacted by use or reduced income due to the cost of living crisis or the on-going recovery from Covid.

The Council are commencing the budget build process for 2023-24, this is against the background of high inflation and increased prices.

These scenarios create more uncertainty in allowing the Council to set a balanced budget especially with on-going unknowns around government finance settlements.

As in prior years this means that the Council are restricted to setting a meaningful budget for only one year and although scenarios can be put forward through the Medium Term Financial Strategy (MTFS) a budget position can not be guaranteed due to the various factors outside of the Council's control.

#### **5.5. Inflation/Cost Of Living (Impact 4, Probability 4)**

The UK economy is currently experiencing a 40 year high rate of inflation, with the Consumer Price Index hitting a 10.1% high in July 2022.

This has an impact on all items of goods and services that the council has to purchase and consequently presents a risk of overspending against a number of budget headings. Wherever possible this is being managed within the confines of existing approved budgets, but inflationary pressures will be one of the key budgetary constraints to delivering a balanced budget for 2023/24.

This is particularly 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.

The cost of living crisis is a significant issue for both the Council and all Thanet residents. The effect of the cost of living is likely to force more households to be homeless (see Homelessness risk below), force more into fuel poverty and have a direct impact on jobs in leisure/retail with households having less disposable income.

#### **5.6. Economic Resources/Environment (Impact 3, Probability 4)**

A combination of Brexit and Covid has also had a significant impact on the Council's supply chain.

For example, 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. To mitigate this risk, the council has offered enhanced pay, via the form of market supplements, to ensure it can recruit and retain a sufficient number HGV drivers required to deliver its waste and recycling collection service.

#### **5.7. 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 and as a result of the cost of living crisis. 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 pressure is currently estimated at up to £1m for 2022/23 based on current homelessness levels.

- 5.8. **Berth 4/5 (Impact 4, Probability 3):** 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.

- 5.9. **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.

However due to the unpredictable nature of Covid the reintroduction of some form of restrictions in the future remains a risk.

- 5.10. **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.

## 7.0 Other risks

7.1 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 8 or more after mitigation have been included within **Annex 1**.

## 8. **Recommendation**

8.1.0 to approve the review of corporate risks

Contact Officer: [Chris Blundell \(Director of Finance\)](#)

Reporting to: [Colin Carmichael \(Interim Chief Executive\)](#)

## Annex 1

Risk Name	Risk Description	Original Score	Mitigating Actions	Score after mitigation
Burial Space	There are currently an estimated 12 months of remaining capacity if the current death / burial (circa 95 per annum) rate continues.	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 is managed centrally by Procurement who scrutinise rationale for Supplier Adoption and undertake a company credit check via Creditsafe. Process is undertaken electronically with the spending officer submitting appropriate forms.	9
Coastal safety information signage is inadequate	Risk of serious harm to the 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	The project to install signs has commenced and is approximately 50% complete.	9
Jackey bakers park, ramsgate old workshop	The roof is falling apart, there are holes in the wall and the brickwork is falling down. This presents a risk to the public entering and potentially could cause serious harm.	16	The building has been fenced off to stop access and management is considering the longer term options to address the risk.	8
HAVS Monitoring	Risk of staff being exposed to Hand Arm Vibration Syndrome from using vibrating tools.	16	Staff tool usage is monitored to make sure the staff stay within their acceptable vibrations levels, in order to reduce over exposure and to make sure rotation is in constant use.	9

			This is ongoing, data is constantly monitored throughout the use of vibrating tools, this is looked at on a daily basis, and staff are regularly monitored. If issues arise we act accordingly to resolve this issue the best way we can.	
External funding	The Council is reliant on external funding to deliver its regeneration plans, any change to this funding will impact on the Council's ability to deliver already identified projects. It is understood that the regeneration projects should not impact negatively on the Council financially.	8	The Council has robust plans in place for the projects, with some being scalable. Officers have a good relationship with the key team in the Department for Levelling Up, Housing and Communities in order to understand any changes to government funding.	8
Risk of harm to the public from irresponsible, uncontrolled use of powered watercraft such as jet skis.	Risk of serious injury/harm to the public from collision with one of these craft, either through collision between craft, craft hitting swimmers, entering bathing water or launching from sites that are not permitted. Currently no Coastal PSPO enforcement officers to enforce the coastal PSPO's put in place in 2021	12	Beach and Coast Manager recruited to start 12th September 2022. One of the roles tasks is to revisit the Water User Group policy and make changes for the 2023 season. Risk score could be reduced further with recruitment of coastal PSPO enforcement officers and Beach and Coast operative	9
Algae Slips and Trips (Cleaning)	Risk of serious harm to the public. Algae grows rapidly on smooth surfaces that are covered by the sea at high tide and exposed at low tide. The green algae is very slippery when wet.  Algae can grow back in a few days.	12	Beach and Coast Services have procured a contract with Technical Services to clean slipways and step accesses that have been deemed highest risk according to risk assessment, these access points are cleaned every 4-6 weeks.  Provide additional signage to warn the public that wet surfaces, particularly with green slime on them can be slippery. To mitigate the risk entirely, access points would need to be closed or the cleaning schedule extended at a cost of approximately £200,000 a year.	9