

MID KENT AUDIT

Corporate Risk Register

Audit Committee

September 2020



Introduction

Risk Management Process

Effective risk management is a vital part of the Council's governance and contributes greatly to the successful delivery of services and key priorities. The Council has always recognised and supported the need to have effective processes to identify, evaluate and manage risks. These processes are set out in the Risk Management Framework.

A risk is a potential future event that, if it materialises, has an effect on the achievement of our objectives.

To be effective in achieving its' ambitions, the Council must ensure that it identifies, prioritises and manages events that could occur in the future. Risk management at Swale includes the following key parts which are detailed in the Risk Management Framework. A further summary of the process is included in Appendix B.



We identify risks at principally at two levels:

Corporate Level Risks - By definition, these are risks that are more strategic in nature, and therefore usually have a higher impact as they effect multiple services. Risks at this level threaten the achievement of the Council's Corporate objectives.

Operational risks - These risks link more directly with our day to day work. However, we recognise these risks nonetheless have potential for significant impact. Annual service planning identifies most of the operational risks, but services add, remove or adjust the risks during the year.

Risks are evaluated based on the likelihood that the risk event will occur and the impact to the Council should the event happen. The Risk Management Framework sets out the criteria for assessing impact and likelihood which helps to ensure a consistent approach across the Council. The criteria are set out in Appendix A.

Risk tolerance

The impact and likelihood assessments determine the risk score and this in turn influences how the Council will respond to the risk. Risk tolerance is the extent of risk the Council is willing to accept before seeking to take action to address or manage risks to a 'safer' level. The tolerance for the Council is the **red** and **black** risks. The Council seeks to manage such risks downwards. If this is impossible, instead the Council seeks to monitor more closely developments and planned actions.

Risk Reporting

A key part of risk management is the review and reporting of key risks. Having valuable and up to date risk information allows for both the management and oversight functions to happen effectively.

We (Mid Kent Audit) facilitate the co-ordination and embedding of risk management processes across the Council. We report corporate and high level operational (**red** and **black**) risks quarterly to SMT. **Amber** risks are reviewed and reported on a six-monthly basis and all other risks are reviewed as circumstances change or at least annually.

The role of Cabinet, as the executive, is to check on individual risks to ensure management exercise proper oversight and action. To help this role we report risk to Informal Cabinet twice a year, including all corporate and high-level operational risks.

The Audit Committees' role is to provide oversight of the overall risk management process, ensuring the processes is effective. To facilitate this we report annually on how the process has operated during the year and provide details of the Council's corporate risks.

Corporate Risks

As detailed the Councils' Corporate Risks have undergone a complete review and refresh. While some risks have remained on the register, those not relevant to the Councils' new priorities have been removed and new risks have been added. The following tables show the corporate risks before the review and once the new register was adopted by Cabinet in June 2020.

Corporate Risk Register June 2019

Corporate Risk Register June 2020

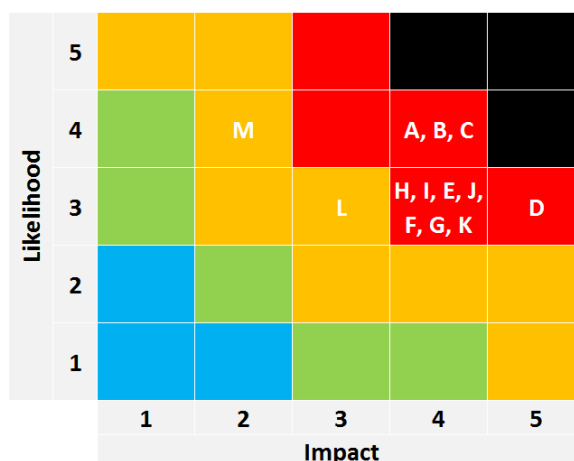
Risk Description		Ref	Risk Description
Local Plan		A	Housing Supply
Homelessness		B	Homelessness
Skills Gap (Borough)		C	Design of Major Contracts NEW!
Funding Restrictions		D	Financial Restrictions
Transport Infrastructure		E	Borough Wide Infrastructure
Air Quality Action Plan		F	Climate & Ecological Emergency
Emergency Plan		G	Swale House Refurbishment NEW!
Cyber Security Incident		H	Cyber Security Incident
Recruitment & Retention		I	Focus on Established Priorities NEW!
General Data Protection Regulation		J	Affordable Housing NEW!
STC Delivery		K	Major Contractor Failure or Decline NEW!
Business Transformation		L	Funding Capital Spend NEW!
Partnerships (Internal)		M	Managerial Leadership NEW!

KEY

- Risk removed from corporate register
- Risk expanded or modified to reflect current circumstances
- Risk updated and kept on new corporate register

The following diagram sets out the new Corporate Risk profile, which is to say the score of each corporate risk plotted onto a risk matrix. The risk score is based on the **current** risk, meaning the risk to the Council as at September 2020 assuming all existing controls work as expected to manage the risk. The detail of each corporate risk is set out on the next page.

Corporate Risks - Current Risk Rating (September 2020)



Corporate Level Risks

The table below provides the details of each corporate risk. This includes the **current** risk rating which factors in the key existing controls. Planned controls are then identified which, when complete, will manage the risk to an acceptable level (the **mitigated** rating).

Corporate Priority	Risk Description	Risk Owners	Key Existing Controls	Current Rating (I x L)	Planned Controls	Mitigated Rating (I x L)
Overarching	<p>Financial Restrictions</p> <p>We are unable to match the delivery of coalition priorities and core Council services to funding levels in the context of the Coronavirus crisis and ongoing funding</p>	Roger Truelove & Nick Vickers	<ol style="list-style-type: none"> 1) Budget setting & monitoring process and Medium Term Financial Plan 2) Awareness of proposed changes to local government finance 3) Information sharing at Chief Finance Officers and Chief Accountants Groups 4) Use of specialist local government financial consultants 5) Reserves strategy 6) Income generation initiatives 7) Ongoing regular reporting to SMT and the Leader 	(5 x 3) 15	<ol style="list-style-type: none"> 1) Work with Cabinet & deputies and SMT on priorities for funding 2) Work with the new member group 3) Expenditure controls 	(4 x 3) 12
Overarching	<p>Funding Capital Spend</p> <p>Delivery of coalition priorities requires capital spend which cannot be accommodated within the revenue budget.</p>	Roger Truelove & Nick Vickers	<ol style="list-style-type: none"> 1) Revenue implications of capital explicitly funded through revenue budget 2) Liaison with commercial tenants 	(3 x 3) 9	<ol style="list-style-type: none"> 1) All capital projects to have business case agreed by Cabinet 2) Capital schemes may generate new revenue income streams 3) Generation of capital receipts through selling assets 4) North Kent Pooled Business rate fund- to meet capital costs 5) Work more closely with commercial tenants 	(3 x 2) 6
Overarching	<p>Cyber Security Incident</p> <p>Security breach or system weakness leads to cyber-attack that results in system unavailability and financial or legal liability.</p>	Roger Truelove & Steve McGinnes	<ol style="list-style-type: none"> 1) Regular backup programmes 2) External testing 3) ICT policies & staff training, including disaster recovery plan 4) Cyber security testing & training 5) Nessus scanning software reporting daily on system vulnerabilities 	(4 x 3) 12	<ol style="list-style-type: none"> 1) 3rd Cyber awareness campaign September 2020 2) Deploying Darktrace enterprise cyber immune system 3) New firewall to be in place by December 2020 4) Upgrade to backups by October 2020 	(4 x 2) 8

Corporate Priority	Risk Description	Risk Owners	Key Existing Controls	Current Rating (I x L)	Planned Controls	Mitigated Rating (I x L)
Overarching	Focus on established priorities Emerging issues and short-term initiatives dissipate resources away from statutory responsibilities and established priorities, inhibiting the Council's ability to deliver on the administration's medium-term objectives.	Roger Truelove & SMT	<ul style="list-style-type: none"> 1) Agreed corporate plan lists 20 detailed medium-term objectives 2) Service planning process for 2020/21 designed to relate activity more explicitly to resources and priorities 3) Regular one-to-one meetings between cabinet members, deputies and heads of service 4) Robust budget-setting process 	(4 x 3) 12	<ul style="list-style-type: none"> 1) New cabinet subgroups to drive forward work on key priorities 2) Single CLT member identified to monitor/coordinate cross-cutting work on each corporate-plan objective 3) Annual report process to be focused on corporate-plan objectives 	(4 x 2) 8
Priority 1 - Building the right homes in the right places and supporting quality jobs for all	Borough wide Infrastructure Infrastructure programmes don't align to the local plan review and fail to make a robust case for public funding and / or to support development proposals that create sustainable communities	Mike Baldock, James Freeman & Charlotte Hudson	<ul style="list-style-type: none"> 1) Regular communication with developers, KCC, Kent CCG and infrastructure agencies (i.e. highways) government 2) Independent specialist advice / support to work on viability / realistic development modelling 3) Pursue funding opportunities/lobby agencies and Government/support delivery agencies to progress schemes 	(4 x 3) 12	<ul style="list-style-type: none"> 1) Continue to strengthen relationships and communications with developers 2) Exploring development strategy options in the review Local Plan to support local bids and funding 3) Revised design for Junction 5 received from Highways England and being pursued - although funding gap has arisen 4) Pursue private sector funding streams 	(3 x 3) 9
Priority 1 - Building the right homes in the right places and supporting quality jobs for all	Affordable Housing Limitations in funding and market interest result in failure to develop a good quality, viable project for the delivery of affordable housing	Ben Martin & Charlotte Hudson	<ul style="list-style-type: none"> 1) Access to expert consultancy and legal advice 2) Strong relationships with RPs that develop in Swale 3) Capital funding agreed by Council 4) SBC Landholdings identified to support the project 5) Review of best practice 6) Initial scoping and viability work undertaken on landholdings 	(4 x 3) 12	<ul style="list-style-type: none"> 1) Available sources of funding being reviewed 2) Testing the market for possible partners 3) Review of best practice elsewhere 4) Create Local Housing Company 5) Monitor market for land acquisitions 6) Acquire suitable land to enable development of Affordable Housing 	(4 x 2) 8
Priority 1 - Building the right homes in the right places and supporting quality jobs for all	Housing Supply Council continues not to deliver the 5year housing supply leading to increased ad hoc greenfield planning applications and potential appeals costs	Mike Baldock & James Freeman	<ul style="list-style-type: none"> 1) Provision of a sound evidence base to support the Council's proposals for housing delivery 2) Review progress against the Local Plan requirements and implement actions through housing delivery action plan 	(4 x 4) 16	<ul style="list-style-type: none"> 1) Build evidence base to support Council's approach to housing delivery in Local Plan 2) Promote sites with early delivery programmes, e.g. park homes proposals etc 3) Produce Housing Delivery Action Plan and review annually whilst dealing with lack of 5year supply issue 	(4 x 2) 8

Corporate Priority	Risk Description	Risk Owners	Key Existing Controls	Current Rating (I x L)	Planned Controls	Mitigated Rating (I x L)
Priority 1 - Building the right homes in the right places and supporting quality jobs for all	<p>Homelessness</p> <p>National increases in homelessness and recommissioning of housing support services create additional workload and increased cost burden for the Council.</p>	Ben Martin & Charlotte Hudson	<ol style="list-style-type: none"> 1) Continue housing providers negotiation over temporary accommodation costs 2) Close working with social housing partners to maximise social housing delivery / options 3) Supporting developers / using influence to unlock opportunities to provide additional social housing 4) Council purchase of properties to use as temporary accommodation 5) Defined landlord incentive scheme and close working with landlords to incentivise private sector-housing options 6) Forecasting of homelessness spend as part of ongoing budget monitoring and medium term financial planning 7) Creation of a Homelessness Prevention Team 8) Continued monitoring and forecasting of trends to understand real impact 9) Bid submitted to MHCLG Next Steps Accommodation Programme to extend accommodation for rough sleepers and provide move on accommodation 	(4 x 4) 16	<ol style="list-style-type: none"> 1) Housing Options considering opportunities for using potentially void accommodation as temporary accommodation to address decommissioning of some KCC funded supported housing schemes 2) Adjustment made to 2020/21 budget to ensure matches demand for temporary accommodation, however impact of Covid is greater than this 3) Reviewing Housing Allocations Policy to take into consideration homeless households – out to consultation 4) Undertake a tender process for provision of temporary accommodation 5) Increasing supply of affordable housing to increase rental supply 	(3 x 4) 12
Priority 2- Investing in our environment and responding positively to global challenges	<p>Climate & Ecology Emergency</p> <p>The Council is unable to deliver the climate & ecological emergency motion agreed at Council in June 2019</p>	Tim Valentine, Nick Vickers & Martyn Cassell	<ol style="list-style-type: none"> 1) Climate & ecology emergency Member / officer steering group established 2) Carbon Trust report identifies areas of focus 3) Annual report to Council to monitor progress 	(4 x 3) 12	<ol style="list-style-type: none"> 1) Corporate action plan being developed (April 2020) 2) Swale House refurbishment 3) New Local Plan 	(3 x 3) 9
Priority 2- Investing in our environment and responding positively to global challenges	<p>Swale House Refurbishment</p> <p>The refurbishment of Swale House does not achieve objectives and / or is not delivered within budget / on time.</p>	Monique Bonney & Nick Vickers	<ol style="list-style-type: none"> 1) Carbon Trust report includes carbon emissions for the building to help identify improvements 2) Office waste contract tender exercise includes value and supports objectives 3) Participation in Climate & Ecological Emergency group 4) OnePublic estate (Pellings) review of building 	(4 x 3) 12	<ol style="list-style-type: none"> 1) Agree funding for feasibility study (Cabinet March 2020) and commission consultant to undertake the work 2) Report to Cabinet detailing the options, a forward plan and costings 	(3 x 3) 9

Corporate Priority	Risk Description	Risk Owners	Key Existing Controls	Current Rating (I x L)	Planned Controls	Mitigated Rating (I x L)
Priority 4 - Renewing local democracy and making the council fit for the future	Managerial Leadership The absence of a Chief Executive and general lack of senior management capacity lead to sub-optimal leadership with adverse effects on staff engagement and organisational performance and self-awareness	Roger Truelove & SMT	1) TeamTalk and Staff Briefings 2) Awards event to recognise staff achievements and work 3) Leadership profile of SMT members 4) Role of the broader Corporate Leadership Team	(2 x 4) 8	1) Recruitment of a new Chief Executive now commenced 2) Acting up arrangements to continue until the Chief Executive is in post	(2 x 4) 8
Priority 2- Investing in our environment and responding positively to global challenges	Major Contractor Failure or Decline Contractor financial difficulties in general or impacts from COVID-19 result in existing suppliers not delivering as per the contract. This results in the Council not getting the anticipated level of service or at its worst a complete failure in the service / company insolvent.	Roger Truelove, Tim Valentine, Angela Harrison & Martyn Cassell	1) Robust tender process 2) Contracts in place and regularly monitored 3) Annual reconciliation of invoices paid to contractors 4) Regular dialogue with contractors and use of performance mechanisms 5) Awareness of industry developments and best practice	(4 x 3) 12	1) Increased discussions with contractors around the impact of COVID-19 2) Ensuring government guidelines on payment of contractors is followed 3) Routine financial checks	(4 x 2) 8
Priority 2- Investing in our environment and responding positively to global challenges	Design of Major Contracts Changes in political direction (central and local) or service specification result in significant changes in how major contracts are delivered when the contract expires (e.g. grounds maintenance and waste). This has significant financial consequences for the Council.	Roger Truelove Tim Valentine, Angela Harrison & Martyn Cassell	1) Robust tender process that includes the early identification of contracts approaching the end of their term 2) Availability of specialist consultants for market research 3) Early engagement with Members on future policy direction 4) Awareness of central government legislative changes	(4 x 4) 16	1) Review potential methods of operation, including researching approaches adopted by other local authorities 2) Consultant engaged for grounds maintenance and waste contracts to provide guidance on financial implications and meeting industry standards 3) Member engagement planned for key points in the process to ensure early decision making 4) Early market testing to support financial predictions	(3 x 4) 12

General Update & Next Steps

We continue to receive a great deal of positive engagement and support from Senior Officers and Managers in the Council. So, we'd like to take this opportunity to thank officers for their continued work and support.

Risk management is a continuous process, and to be valuable it must be updated and maintained. The following two areas will be focussed on over the coming months:

1. **Operational Risk Registers:** Due to changes in both Internal Audit and Officers priorities over the last 6 months the review of operational risk registers alongside service planning has not taken place. We will look to undertake a complete refresh of the operational risk registers during September / October 2020. Once complete routine monitoring and reporting of these risks can resume, including reporting the overall risk profile for the Council to Members.
2. **Risk Management Software:** Work is underway to explore obtaining a risk management system to replace the current spreadsheet process. This will give us greater functionality in updating and reporting on risks and free up time to further develop other aspects of risk. We have identified a potential system that we can use and are in the process of developing a plan for its implementation.

Many thanks for your time and consideration in receiving this update and I look forward to discussing the content with you.

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Definitions for Impact and Likelihood

Risks are assessed by risk owners for impact and likelihood. So that we achieve a consistent level of understanding when assessing risks, the following definitions are included in the Risk Management Framework and have been used to inform the assessment of risks on the comprehensive risk register.

RISK IMPACT

Level	Service	Reputation	H&S	Legal	Financial	Environment
Catastrophic (5)	Ongoing failure to provide an adequate service	Perceived as a failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment	Uncontrollable financial loss or overspend over £1.5m	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor Service, 5+ days disruption	Significant adverse national publicity	Fails to prevent death, causes extensive permanent injuries or long term sick	Litigation expected and uncertain if defensible Breaches of law punishable by significant fines	Financial loss or overspend greater than £100k	Long term major public health or environmental incident (1+ yrs)
Moderate (3)	Unsatisfactory performance Service disrupted 3-5 days	Adverse national publicity of significant adverse local publicity	Fails to prevent extensive permanent injuries or long term sick	Litigation expected but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1 yr)
Minor (2)	Marginal reduction in performance Service disrupted 1-2 days	Minor adverse local publicity	Medical treatment required Long term injuries or sickness	Complaint or litigation possible Breaches of regulations or standards	Financial loss or overspend greater than £20k	Short term public health or environmental incident (weeks)
Minimal (1)	No performance reduction Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £20k	Environmental incident with no lasting detrimental effect

RISK LIKELIHOOD

Level	Probability	Description
Almost Certain (5)	90% +	Without action is likely to occur; frequent similar occurrences in local government / Council history
Probable (4)	60% - 90%	Strong possibility; similar occurrences known often in local government / Council history
Possible (3)	40% - 60%	Might occur; similar occurrences experienced in local government / Council history
Unlikely (2)	10% - 40%	Not expected; rare but no unheard of occurrence in local government / Council history
Rare (1)	0% - 10%	Very unlikely to occur; no recent similar instances in local government / Council history

Risk Management Process Summary

Step 1 – Identify Risks	Step 2 – Evaluate Risks	Step 3 – Risk Response	Step 4 – Monitor & Review																																													
<p>Best done in groups, by those responsible for delivery objectives.</p> <p>RISK is a <i>potential future</i> event that, if it materialises, has an <i>effect</i> on the achievement of our objectives.</p> <p>Consider both threats and opportunities.</p> <p>When to consider:</p> <ul style="list-style-type: none"> • Setting business aims and objectives • Service planning • Target setting • Partnerships & projects • Options appraisal <p>Establish the risk owner.</p> <p>Document in the risk register.</p>	<p>Combination of the impact and likelihood of an event (the CURRENT RISK).</p> <p>Impact score is the highest from the different categories.</p> <p>Establish your key existing controls and whether they are managing the impact and/or likelihood of the risk.</p> <p>Scores can be depicted in the risk matrix:</p> <table border="1" data-bbox="629 903 1106 1259"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Black</td> <td>Black</td> </tr> <tr> <td>4</td> <td>Green</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Black</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Blue</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Blue</td> <td>Blue</td> <td>Green</td> <td>Green</td> <td>Yellow</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Black	Black	4	Green	Yellow	Red	Red	Black	3	Green	Yellow	Yellow	Red	Red	2	Blue	Green	Yellow	Yellow	Yellow	1	Blue	Blue	Green	Green	Yellow			1	2	3	4	5			Impact					<p>Black – Above our tolerance, immediate action and reporting to directors.</p> <p>Red – Outer limit of our appetite, immediate action.</p> <p>Amber – Medium risk, review existing controls.</p> <p>Green – Low risk, limited action, include in plans.</p> <p>Blue – Minimal risk, no action but annual review.</p> <p>Risk Response – 4Ts</p> <ul style="list-style-type: none"> • Treat (i.e. apply controls) • Tolerate (i.e. accept risk) • Transfer (e.g. insurance / partnership) • Terminate (i.e. stop activity) <p>After your response; where does the risk score now? (the MITIGATED RISK)</p>	<p>Completed risk registers returned to Mid Kent Audit.</p> <ul style="list-style-type: none"> • Senior Management Team monthly monitoring of black risks. Quarterly reporting of all high level (black and red) risks. • 6-monthly monitoring at Informal Cabinet. • Annual monitoring of process by Audit Committee. <p>Mid Kent Audit facilitate the review and update of risk actions (as per your risk register) during the year for and high-level (red / black) risks.</p>
Likelihood	5		Yellow	Yellow	Red	Black	Black																																									
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