MID KENT AUDIT

Annual Risk Management Report

Audit Committee

March 2022

Introduction

As a Council we define risk as a **potential future event that, if it materialises, effects the achievement of our objectives.** With the focus currently being on our corporate and service (or operational) objectives.

By having arrangements in place to identify and manage our risks, we increase our chances of achieving corporate and operational objectives and reduce the chance of failure. Good risk management also increases our ability to cope with developing and uncertain events.

A key part of the risk management process is to report risk information, and particularly to report on the operation of the processes itself. Twice yearly risk reports are provided to Members of Informal Cabinet who review the substance of individual risks to ensure that risk issues are appropriately monitored and addressed. As those charged with governance and oversight the Audit Committee receive an annual report on the operation of the process. The Audit Committee should seek assurance that the Council is operating an effective risk management process. This enables the Audit Committee to fulfil the responsibilities as set out in their Terms of Reference:

> *"To monitor the effective development and operation of risk management and corporate governance in the Council."*

Purpose

The purpose of this report is to provide assurance to Members that the Council has in place effective risk management arrangements, and that risks identified through this process are managed, and monitored appropriately.

The report outlines the risk work undertaken since March 2021, including how the risk profile of the Council has changed. The report then outlines the work planned for 2022-23.

Risk Management Process

Detailed guidance on the Council's risk management processes is set out in the **Risk Management Framework**. The framework sets out each stage of the process which can be illustrated as follows:

Since a risk is an event that could affect the achievement of the Council's *objectives*, the process starts with considering what the corporate or service objectives are. Consideration is then given to what could happen in the future to affect the achievement of these objectives.

Once identified risks are then *evaluated*, with risk owners understanding how big the **current** risk is by considering:

- The existing controls which are already in place to manage the risk
- How severely the organisation would be affected if the risk occurs (the impact)
- The possibility of the risk materialising and becoming an event that needs managing (the likelihood)

Appendix Ia includes the definitions used to guide the impact and likelihood evaluations and ensure consistency in measuring risks.

The next step is to determine what, if any, action will be taken to *respond* to the risk. The baseline level of response is determined by the Council's risk tolerance and appetite, which are illustrated as follows:

The following table outlines what risk owners should do to respond to their identified risks:

20-25	Identify the actions and controls necessary to manage the risk down to an acceptable level. Risks of this level are regularly reported to and monitored by Senior Management Team.
12-16	Identify controls to treat the risk impact / likelihood and seek to bring the risk down to a more acceptable level. Risk of this level are reported and monitored by Senior Management Team each quarter.
5-10	Keep these risks on the radar and update as and when changes are made, or if controls are implemented. Movement in risks should be monitored, for instance featuring as part of a standing management meeting agenda.
3-4	Keep these risks on your register and formally review at least once a year to make sure that the impact and likelihood continues to pose a low level.
1-2	No actions required but keep the risk on your risk register and review annually as part of the service planning process.

Where necessary planned actions should be documented, and the impact and likelihood scores reassessed to determine the **mitigated** risk.

All identified risks and associated information are captured in the Council's comprehensive risk register. This is used to *monitor and report* on risks to ensure action is being taken as necessary and changes are captured in updates to the risks. Appendix Ib summarises the overall process and step 4 outlines the routine risk reporting that occurs during the year.

2020-21 Risk Processes In Action

The risk management processes outlined in the Framework have been in operation throughout the year. A budget of 47 days towards risk processes was set at the start of 20-21 and by April 2022 48 days is anticipated to have been used. The following timeline summarises the work completed:
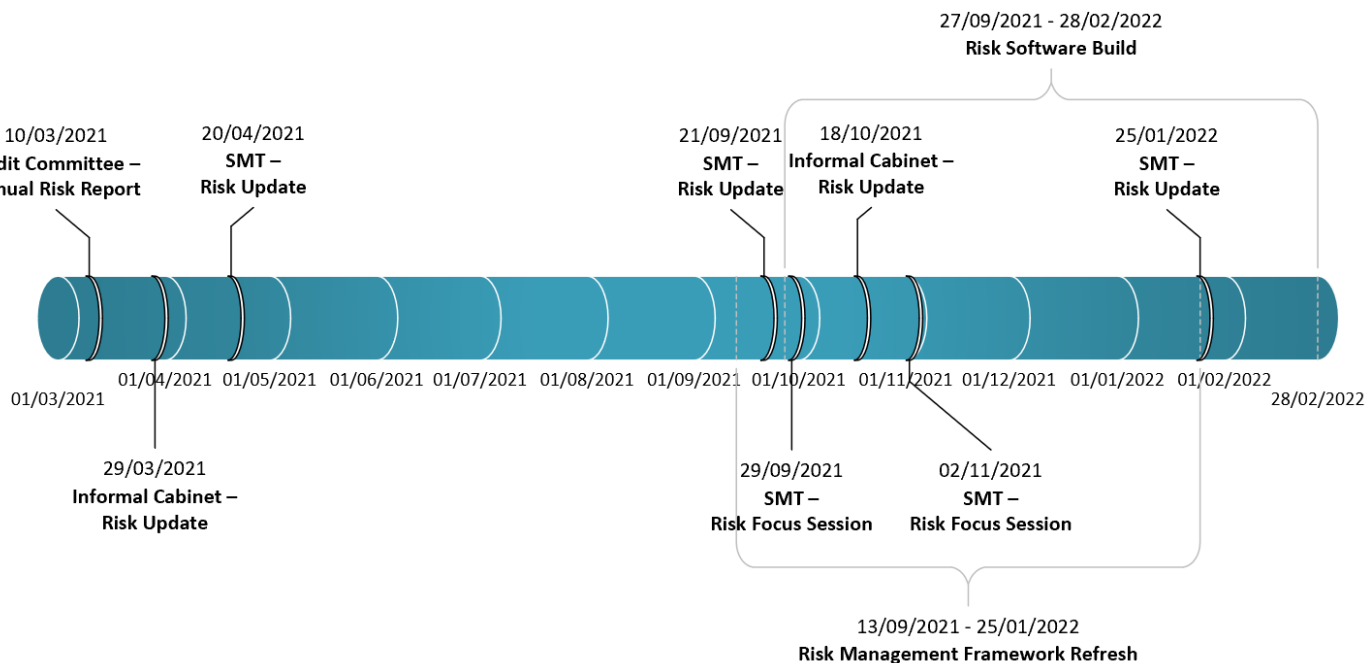

Risk Updates are usually taken to SMT four times a year. As a result of changes within the SMT and a desire to consider how to enhance the Council's risk management arrangements the risk update usually taken over the summer was postponed.

Risk Focus Sessions were run with SMT in September and November 2021 to review and update the Council's risk management arrangements. This allowed us to ensure that they remain fit for purpose and met the needs of the Council's new management structure. From these sessions the Risk Management Framework has been updated. The remaining area to be captured within the revised Framework is how risk information will be reported within the new Committee structure. Once this has been updated the revised Framework will be bought to Audit Committee for agreement. In advance of this Appendix Id summarises the 3 key changes made within the Framework, namely: impact scales, likelihood scales and the risk appetite statement.

To remain effective risk management should be fully integrated across the organisation. It needs to be a valuable tool to help services meet objectives, to be proportionate and to add insight and value. Our existing risk management processes are admin intensive, restricting the time available for further work to embed risk across the Council. Furthermore, current processes require the prompting of risk leads to ensure risk information remains up to date, and services / senior management do not have 'live' access to their risk information. To address these issues risk management software called JCAD was purchased. The software is being built to reflect the Council's risk management processes so that it is tailored to the Council's approach. Most of the overall structure of the system has been built and the roll out of the system can happen once the new interface ('Core 5') has been released by JCAD (this is planned for completion in the next few weeks) and the revised Framework has been adopted.

During January / February 2022 the Council's insurers Zurich have been performing a desk top review of the Framework and how risk information is reported. The report is currently being finalised but the overall conclusion is of "*a strong framework and an organisation actively managing risk.*" Some recommendations for improvement were raised to enhance the Council's arrangements and many of these will be achieved following implementation of JCAD.
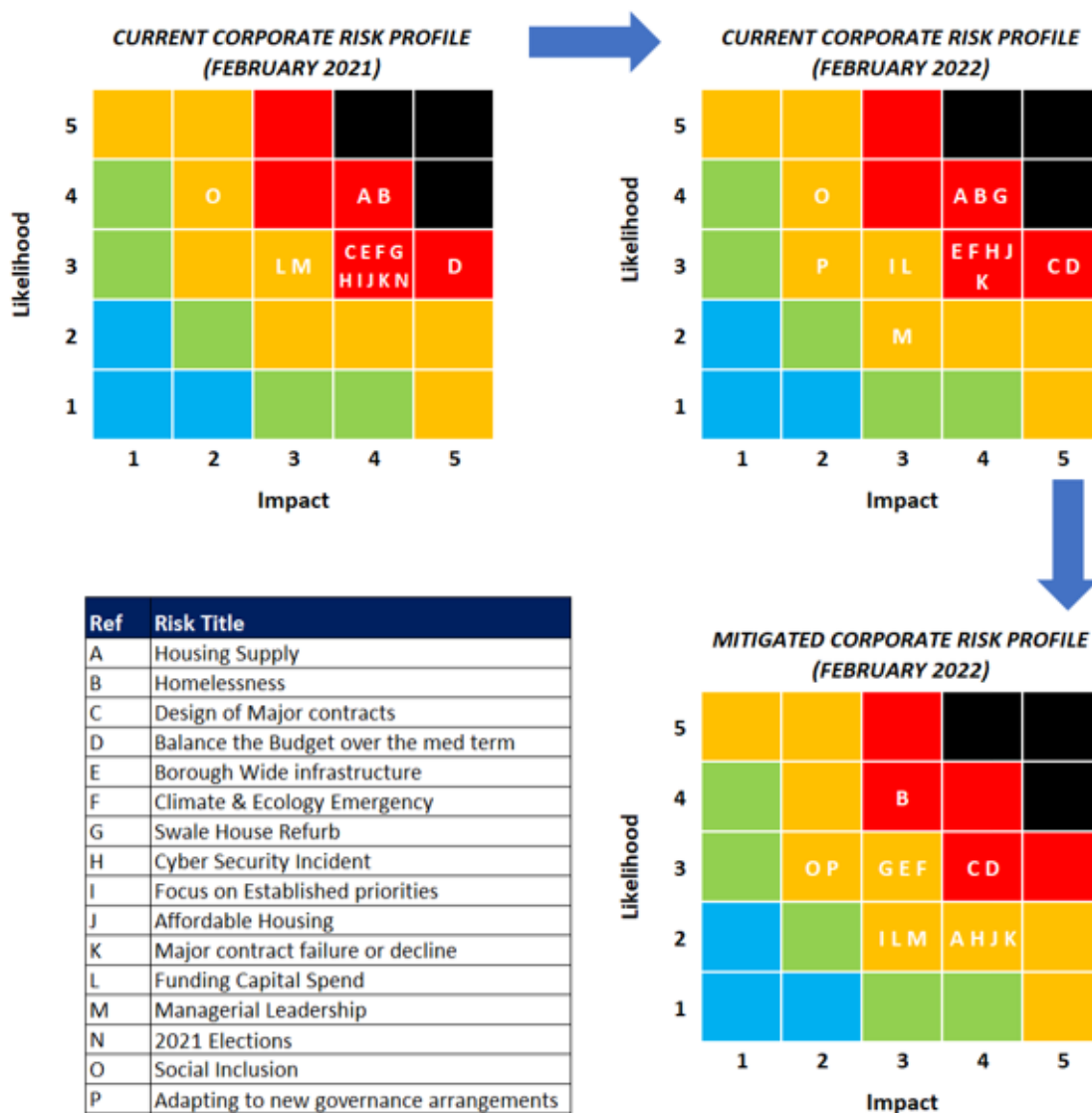
The following diagram depicts the risk profile last reported to Audit Committee in March 2021 and how it has changed during the year. The **current** rating is the risk to the Council assuming all existing controls are working as expected to manage the risk – i.e. the 'business as usual' position.
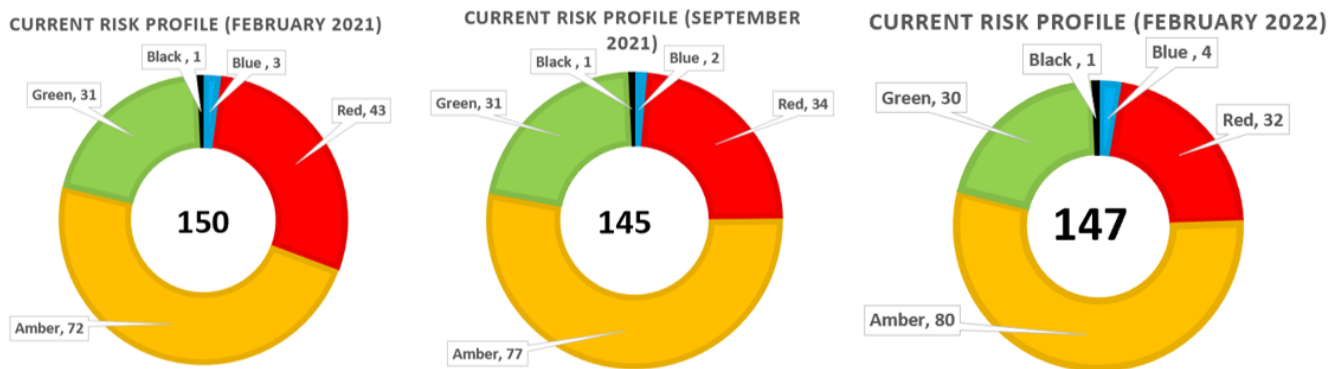
Further detail on the changes is provided below.

Corporate Risks

The following matrices show the current corporate risk profile and how it has changed during the year. The **current** rating is the 'business as usual' position and also shown is the **mitigated** rating – i.e. the risk to the Council in the future once all planned actions have been taken.

CURRENT CORPORATE RISK PROFILE (FEBRUARY 2021)

Likelihood					
5					
4		O		A B	
3			L M	C E F G H I J K N	D
2					
1					
	1	2	3	4	5

Impact

CURRENT CORPORATE RISK PROFILE (FEBRUARY 2022)

Likelihood					
5					
4		O		A B G	
3			P	I L	E F H J K	C D
2				M	
1					
	1	2	3	4	5

Impact

Ref	Risk Title
A	Housing Supply
B	Homelessness
C	Design of Major contracts
D	Balance the Budget over the med term
E	Borough Wide infrastructure
F	Climate & Ecology Emergency
G	Swale House Refurb
H	Cyber Security Incident
I	Focus on Established priorities
J	Affordable Housing
K	Major contract failure or decline
L	Funding Capital Spend
M	Managerial Leadership
N	2021 Elections
O	Social Inclusion
P	Adapting to new governance arrangements

MITIGATED CORPORATE RISK PROFILE (FEBRUARY 2022)

Likelihood					
5					
4			B		
3		O P	G E F	C D	
2			I L M	A H J K	
1					
	1	2	3	4	5

Impact

As you can see from the below table corporate risks have changed during the year. Including the removal of risk N *2021 Elections* following the successful completion of those elections, and the addition of risk P *adopting new governance arrangements* to reflect a potential risk arising form the new governance structure.

Ref	Risk Title	Current Risk Score (I x L)		
		Apr-21	Sep-21	Feb-22
A	Housing Supply	16 (4 x 4)	16 (4 x 4)	16 (4 x 4)
B	Homelessness	16 (4 x 4)	16 (4 x 4)	16 (4 x 4)

Ref	Risk Title	Current Risk Score (I x L)		
		Apr-21	Sep-21	Feb-22
C	Design of Major contracts	12 (4 x 3)	15 (5 x 3)	15 (5 x 3)
D	Balance the Budget over the med term	15 (5 x 3)	15 (5 x 3)	15 (5 x 3)
E	Borough Wide infrastructure	12 (4 x 3)	12 (4 x 3)	12 (4 x 3)
F	Climate & Ecology Emergency	12 (4 x 3)	12 (4 x 3)	12 (4 x 3)
G	Swale House Refurbishment	12 (4 x 3)	16 (4 x 4)	16 (4 x 4)
H	Cyber Security Incident	12 (4 x 3)	12 (4 x 3)	12 (4 x 3)
I	Focus on Established priorities	12 (4 x 3)	12 (4 x 3)	9 (3 x 3)
J	Affordable Housing	12 (4 x 3)	12 (4 x 3)	12 (4 x 3)
K	Major contract failure or decline	12 (4 x 3)	12 (4 x 3)	12 (4 x 3)
L	Funding Capital Spend	9 (3 x 3)	9 (3 x 3)	9 (3 x 3)
M	Managerial Leadership	9 (3 x 3)	9 (3 x 3)	6 (3 x 2)
N	2021 Elections	12 (4 x 3)	removed	
O	Social Inclusion	8 (2 x 4)	8 (2 x 4)	8 (2 x 4)
P	Adapting to new governance arrangements			6 (2 x 3)

Risks B *Homelessness*, C *Design of major contracts* and D *Balancing the budget* remain at the outer limit of the Council's risk appetite after mitigating actions have been taken. This is largely due to the ongoing effect of economic conditions.

Appendix Ic includes the full details of the Council's corporate risk register.

Operational Risks

The following matrices show the current operational risk profile and how it has changed during the year. These operational risks are the risks facing the Council's services, including relevant shared service risks. The **current** rating is the 'business as usual' position and also shown is the **mitigated** rating – i.e. the risk to the Council in the future once all planned actions have been taken.

CURRENT OPERATIONAL RISK PROFILE (FEBRUARY 2021)

Likelihood	Impact 1	Impact 2	Impact 3	Impact 4	Impact 5
5					
4		4	3	9	1
3	1	11	27	17	
2	1	17	11	14	3
1	1	1	8	5	1

Total 135

CURRENT OPERATIONAL RISK PROFILE (FEBRUARY 2022)

Likelihood	Impact 1	Impact 2	Impact 3	Impact 4	Impact 5
5					
4		3	4	10	1
3	1	11	26	8	
2		17	14	18	3
1	1	3	8	4	

Total 132

MITIGATED OPERATIONAL RISK PROFILE (FEBRUARY 2022)

Likelihood	Impact 1	Impact 2	Impact 3	Impact 4	Impact 5
5					
4		2	1	2	
3	1	7	19	1	
2		30	22	15	3
1	2	9	9	9	

Total 132
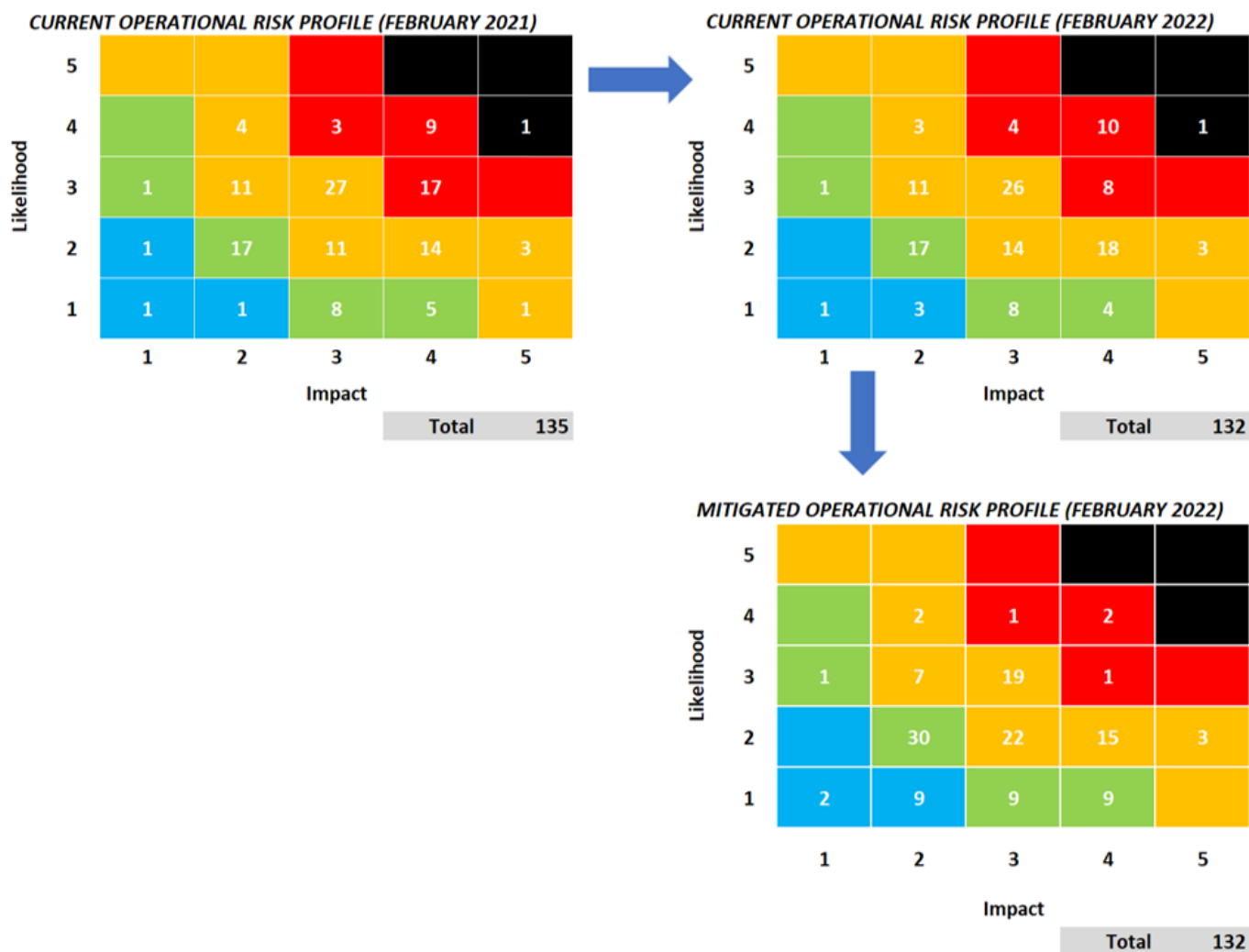
The overall number of operational risks has remained largely unchanged overall, although there has been changes within individual services with some areas removing risks and other adding them. There has also been an overall decrease in the number of red/black risks from 30 in February 2021 to 23 in February 2022. This further reduces to 4 if all mitigating actions are successfully introduced. The risks with a mitigated red rating are:

- Provision of cost of Temporary Accommodation
- IT Security Breach
- Mid Kent Legal Services - Recruitment difficulties
- Mid Kent Legal Services – Excess of work

The black risk that has been identified relates to the *provision of temporary accommodation*. This is an issue routinely monitored by SMT to ensure that action is being taken to bring the risk down to a more acceptable level. Recent work with DLUHC has identified further mitigating actions that will help to reduce the risk in the future. The detail of the risk is:

Provision of cost of Temporary Accommodation			
Service Area: Housing & Community Services	**Ownership: Roxanne Sheppard**	**Score: I5 x L4**	**20**
Risk *Not enough access to temporary accommodation or a lack of supply causes costs to increase. Additionally, a strong reliability on external funding.*	**Existing Controls** • Various suppliers utilised • Good relationship with suppliers • Costs negotiated • Direct Lets • Ongoing work with DLUHC	**Risk Response** • Procurement exercise with MBC and TWBC to go to market to negotiate a better deal with TA providers • Refresh incentives for landlords • Link to project on reducing demand for TA	
Last risk review: February 2022	**Risk direction over time:** ⬌	**Score: I4 x L4**	**16**

Appendix Ie includes the details of the Council's operational risk register.

Risk Work Plan

As part of the wider Mid Kent Audit annual planning process, we consider the work needed to support the Council in maintaining effective risk management arrangements. This involves reflecting on the work delivered during 2021-22 and balancing the work plan for the coming year with the needs of the Council and the resources available.

The following provides an overview of the risk work planned for 2022-23, and the key areas of focus for our work. We appreciate that circumstances are changeable and so the plan will be kept under review and amended where necessary.

Definitions for Impact and Likelihood

Risks are assessed for impact and likelihood. So that we achieve a consistent level of understanding when assessing risks, the following definitions were agreed and have been used to inform the assessment of risks on the comprehensive risk register.
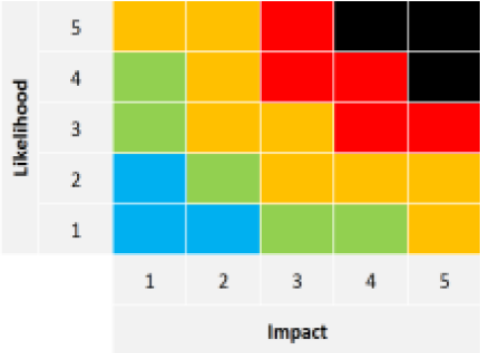
RISK IMPACT

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

One Page Process Summary

Step 1 – Identify Risks	Step 2 – Evaluate Risks	Step 3 – Risk Response	Step 4 – Monitor & Review
Best done in groups, by those responsible for delivery objectives. **RISK** is a *potential future* event that, if it materialises, has an *effect* on the achievement of our objectives. Consider both threats and opportunities. When to consider: • Setting business aims and objectives • Service planning • Target setting • Partnerships & projects • Options appraisal Establish the **risk owner**. Document in the **risk register**.	Combination of the **impact** and **likelihood** of an event (the *CURRENT RISK*). Impact score is the highest from the different categories. Establish your **key existing controls** and whether they are managing the impact and/or likelihood of the risk. Scores can be depicted in the **risk matrix**: 	**Black** – Above our *tolerance*, immediate action and reporting to directors. **Red** – Outer limit of our *appetite*, immediate action. **Amber** – Medium risk, review existing controls. **Green** – Low risk, limited action, include in plans. **Blue** – Minimal risk, no action but annual review. Risk Response – 4Ts • Treat (i.e. apply controls) • Tolerate (i.e. accept risk) • Transfer (e.g. insurance / partnership) • Terminate (i.e. stop activity) After your response; where does the risk score now? (the *MITIGATED RISK*)	Completed risk registers returned to **Mid Kent Audit.** • **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.** 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.

Corporate Risk Register

The following table is an extract from the comprehensive risk register and outlines the Council's corporate risks. *The **current** rating is the rating assuming existing controls are working effectively, and the **mitigated** rating is the future risk rating after planned actions are complete.*

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Homelessness Increases in homelessness from the lifting of the eviction ban and other social economic impacts from the pandemic create additional workload and increased cost burden for the Council.	Ben Martin & Charlotte Hudson	1) Review of temporary accommodation provision and maximising use of public sector assets through joint working with social housing partners and considering other opportunities (e.g. use of void accommodation) 2) Council purchase of properties to use as temporary accommodation and supporting / influencing developers to unlock additional social housing 3) Landlord incentive scheme and close working with landlords and housing providers to incentivise private sector housing options and negotiate temporary accommodation costs 4) Housing Allocations Policy reviewed 5) Homeless Prevention Team in place 6) Forecasting of homelessness spend and adjustments to budgets made as part of medium-term financial planning.	16 (4 x 4)	1) Undertake a tender process for provision of temporary accommodation 2) Increasing supply of affordable housing to increase rental supply 3) Review all those in temporary accommodation households to ensure accommodation is being used, benefit claims are maximised and appropriate support given 4) Action plan to be developed in response to DLUCH visit to determine further mitigations	12 (3 x 4)
Swale House Refurbishment As a result of cost uncertainties in the construction market the refurbishment of Swale House does not achieve environmental benefits and/or does not support 'new ways of working'.	Monique Bonney & Emma Wiggins, Joanne Johnson	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) Consultant (Quartz) in place to provide advice to project team 5) Swale House Refurbishment report to Cabinet March 2021 agreeing detailed proposals for the refurbishment	16 (4 x 4)	1) increase cost analysis work, and work with Quartz to assess the tenders received during February 2022, in advance of March Cabinet report.	9 (3 x 3)
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	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	16 (4 x 4)	1) Local Plan review being progressed 2) Promote sites with early delivery programmes, e.g. park homes proposals etc 3) 2021 Housing Delivery Action Plan agreed and review annually whilst dealing with lack of 5year supply issue	8 (4 x 2)

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
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 Julian Saunders, Angela Harrison & Martyn Cassell	1) Robust tender process that includes the early identification of contracts approaching the end of their term 2) Consultant engaged for grounds maintenance and waste contracts to provide guidance on financial implications and meeting industry standards 3) Early engagement with Members provided clear perspective on direction and will be ongoing 4) Awareness of central government legislative changes 5) Review potential methods of operation, including researching approaches adopted by other local authorities	15 (5 x 3)	1) Member engagement planned for key points in the process to ensure early decision making 2) Early market testing to support financial predictions 3) Continue to follow Government consultations on new legislation – updates expected early 2022 4) Design of waste specification completed with careful consideration of financial implications throughout decision making process. Competitive dialogue process started and to continue throughout 2022 5) GM contract completed and in final transition	12 (4 x 3)
Balancing the Budget over the medium term 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.	Roger Truelove & Lisa Fillery	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, including a Finance Sub Group to consider the budget and fees & charges	15 (5 x 3)	1) All services working towards achieving savings targets for 22-23 budget 2) Aligning the fees & charges and budget setting process 3) Future decision making to ensure resources match spending plans	12 (4 x 3)
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 & Joanne Johnson	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) Creation of Head of Regeneration & Economic Development increases capacity for seeking public funding	12 (4 x 3)	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) Junction 5 proposals underway and due to be completed by 2024 4) Pursue private sector funding streams 5) Key Street and Grovehurst junctions also agreed and start in 2022 6) Pursuing commitment for major improvement to M2J7 with KCC and Canterbury CC (7) Levelling-Up Fund bid under development for Sheerness: £125k capacity funding received from government to develop business case.	9 (3 x 3)

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Climate & Ecology Emergency The Council is unable to deliver the climate & ecological emergency motion agreed at Council in June 2019.	Tim Valentine & Martyn Cassell	1) Climate & ecology emergency Member / officer steering group established 2) Annual report to Council to monitor progress 3) Corporate Action Plan being delivered	12 (4 x 3)	1) Swale House refurbishment 2) New Local Plan 3) Environmental gains being made in major contracts 4) Revision of action plan including focus on top 10 actions	9 (3 x 3)
Cyber Security Incident Security breach or system weakness leads to cyber-attack that results in system unavailability and financial or legal liability.	Roger Truelove & Julie May	1) Effective backup arrangements 2) External testing 3) ICT policies & staff training, including disaster recovery plan 4) Cyber security testing & training, plus awareness quarterly campaigns 5) Nessus scanning software reporting daily on system vulnerabilities 6) Darktrace enterprise cyber immune system deployed	12 (4 x 3)	1) A new firewall (TRAPS) has been partly installed and will be completed by the end of the year. 2) Agree a Cyber Incident Response Procedure with all 3 authorities – end April 2022	8 (4 x 2)
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	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 7) Available sources of funding reviewed 8) Testing the market for possible partners 9) Local Housing Company set up and director appointed to lead on development of sites	12 (4 x 3)	1) Deliver 3 development sites agreed by Cabinet 2) Monitor market for land acquisitions 3) Acquire suitable land to enable development of Affordable Housing	8 (4 x 2)
Major Contractor Failure or Decline Contractor financial difficulties in general or impacts from COVID-19/external complications 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, Julian Saunders, 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 6) Routine financial checks	12 (4 x 3)	1) Increased discussions with contractors around the impact of COVID-19 / other external issues 2) Supporting contractors to undertake new initiatives to resolve problems	8 (4 x 2)

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
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	1) Agreed corporate plan priorities which have been prioritised and are being monitored through Pentana 2) Service planning process for 2022/23 designed to relate activity more explicitly to resources and priorities 3) Regular one-to-one meetings between cabinet members, deputies and heads of service and regular Cabinet meetings on progress of priorities 4) Robust budget-setting process 5) New cabinet subgroups to drive forward work on key priorities 6) Single CLT member identified to monitor/coordinate cross-cutting work on each corporate-plan objective 7) Directors have overall responsibility for the delivery of the priorities 8) Annual report process to be focused on corporate-plan objectives 9) Business cases prepared to link projects to priorities & corporate plan	9 (3 x 3)	1) An LGA Peer Review happened in September on Recovery - next steps to publish report and deliver actions	6 (3 x 2)
Funding Capital Spend Delivery of coalition priorities requires capital spend which cannot be accommodated within the revenue budget. Including pressures from delivery of Swale House Refurbishment and lending to Rainbow Homes.	Roger Truelove & Lisa Fillery	1) Revenue implications of capital explicitly funded through revenue budget 2) Liaison with commercial tenants 3) All capital projects to have business case agreed by Cabinet	9 (3 x 3)	1) Capital schemes may generate new revenue income streams 2) Generation of capital receipts through selling assets 3) North Kent Pooled Business rate fund to meet capital costs 4) Work more closely with commercial tenants 5) Consultant working on the Rainbow Homes business case and reviewing costs	6 (3 x 2)
Social Inclusion A lack of community or partnership engagement and poor investment results in not achieving social inclusion outcomes and leads to increases in social inequality.	Richard Palmer & Charlotte Hudson	1) Grant funding available (e.g. citizens advice bureau, winter grants and housing support fund) 2) Social Inclusion Worker in post 3) Breaking Barriers Initiative Project initiated	8 (2 x 4)	1) Position statement to understand what is currently done and where the gaps are 2) Development of Strategy and identification of outcomes 3) Part of KCC Xantura pilot to support low income families	6 (2 x 3)
As a result the introduction of the committee structure **members / officers initially struggle to adapt to new governance arrangements**, leading to potential reduction in performance.	Roger Trulove & David Clifford	- Member briefings - officer training on presenting to committees - training for current Cabinet Members	6 (2 x 3)	- legally compliant Constitution - ongoing training for Members and Officers to be made available - ability to update Constitution as the process comes into effect	6 (2 x 3)

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Managerial Leadership Failure to build strong leadership team by new Chief Executive leads to sub-optimal leadership with adverse effects on staff engagement and organisational performance and self-awareness.	Roger Truelove & SMT	1) Agreed corporate plan priorities 2) Service planning process for 2022/23 designed to relate activity more explicitly to resources and priorities 3) Regular one-to-one meetings between cabinet members, deputies and heads of service and regular Cabinet meetings on progress of priorities 4) Robust budget-setting process 5) Senior leadership team restructured and management team meetings reviewed to ensure membership is appropriate and focus is strategic	6 (3 x 2)	1) Reviewing staff engagement plan following BeHeard survey results 2) Procurement underway for culture change and leadership development for senior staff	6 (3 x 2)

Risk Management Framework Updates

This summarises the key changes proposed to the Framework following consultation with SMT.

Likelihood

These scales have been updated to refine the probabilities, reducing the maximum probability down from 90% and re-distributing the other levels. The description has also been updated to incorporate a timeframe over which the risk may occur allowing the Council to identify those risks which will affect the Council quickest.

Level	Probability	Description
Highly Probable (5)	80% +	Without action is likely to occur; frequent similar occurrences in local government / Council history or anticipated within the next 6 months.
Probable (4)	60% - 80%	Similar occurrences known often in local government / Council history or anticipated within the next 12 months.
Possible (3)	40% - 60%	Similar occurrences experienced in local government / Council history or anticipated within the next 18 months.
Unlikely (2)	20% - 40%	Not unheard-of occurrence in local government / Council history. Anticipated within the next 2 years.
Rare (1)	0% - 20%	Seldom occurs; no recent similar instances in local government / Council history.

Impact

While the upper limit of the financial category provides a reasonable guide to the kind of costs that could materially affect the Council, the breakdown of the financial limits in levels 1 to 4 was not balanced. The financial limits have therefore been adjusted.

The service impact category was made up of two factors: effect of risk on the service and effect on the strategic priorities. In practice the effects on service were hard to measure using the existing scales as it was difficult to judge whether individual service failings had a major impact on the Council as a whole. The service impact category has been updated to remove reference to strategic priorities and provide a sense of the extent to which a service impact will affect the Council more widely.

Reputation scales remain unchanged, and a wellbeing category has been added. The Health & Safety impact has been incorporated into the legal / compliance category.

The revised impact scales are as follows:

Level	Service	Reputation	Wellbeing	Legal/Compliance	Financial	Strategic Objectives
Catastrophic (5)	Ongoing failure to provide an adequate service in a key area	Perceived as a failing authority requiring intervention	Significant staff dissatisfaction, long term absence, or increased staff turnover including key personnel	Litigation almost certain and difficult to defend. Breaches of law punishable by imprisonment. Possible responsibility for death.	Uncontrollable financial loss or overspend over £1.5m	Failure to deliver multiple key priorities
Major (4)	Key service areas disrupted 5+ days

Other service areas ongoing failure | Significant adverse national publicity | Adverse staff dissatisfaction, or increased absence and turnover of staff | Litigation expected and uncertain if defensible. Breaches of law punishable by significant fines. Fails to prevent death, causes extensive permanent injuries or long term sick | Financial loss or overspend greater than £1m | Failure to deliver key priority |
| Moderate (3) | Key service disruption 3-5 days

Other service disruption 7+ days | Adverse national publicity of significant adverse local publicity | Declining staff satisfaction, or some loss of staff due to absence or turnover | Litigation expected but defensible. Breaches of law punishable by fines. Fails to prevent extensive permanent injuries or long term sick. | Financial loss or overspend greater than £700k | Unsatisfactory delivery of priorities |
| Minor (2) | Key service disruption 2 days

Other service disruption 2-7 days | Minor adverse local publicity | Short-term dissatisfaction, minor loss of staff due to absence or turnover | Complaint or litigation possible. Breaches of regulations or standards. Long term injuries or sickness. | Financial loss or overspend greater than £100k | Poor delivery of priorities |
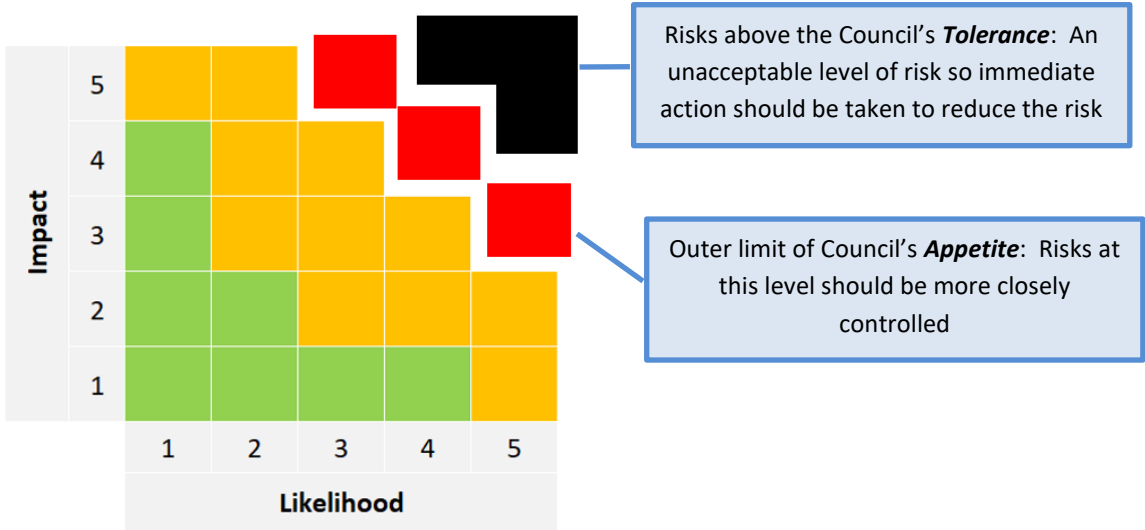| Minimal (1) | Any service disruption 1+ day | Unlikely to cause adverse publicity | Loss of staff morale but unlikely to result in absence or turnover of staff | Unlikely to cause complaint. Breaches of local procedures. | Financial loss or overspend under £100k | Minimal reduction in delivery of priorities |

Risk Appetite

Our *risk appetite* guides how much risk we are willing to seek or accept to achieve our objectives. Beyond our risk appetite is our *risk tolerance*. This sets the level of risk that is unacceptable, whatever opportunities might follow. In such instances we will aim to reduce the risk to a level that is within our appetite. Feedback from SMT was to have one scale for all risk types. As such the existing statement has been kept with some adjustments, namely:

- Removal of the **blue** priority as there is very little distinction between this and the **green** priority.
- Adjusting the **red** priority to change risk scores of 12 to **amber**. This better reflects the Councils' approach to managing these risks as there is little focus on risks scored at 12 at SMT / Member level.
- Swapping Impact and Likelihood around in the matrix to reflect the approach commonly used when presenting this information in a matrix format.

The statement will therefore read as follows:

*We illustrate our risk appetite and tolerance in the matrix below. The **RED** area represents the outer limit of our risk appetite, and the **BLACK** area indicates the tolerance. As a Council we are not willing to take risks that have significant negative consequences on the achievement of our objectives.*

Risks above the Council's *Tolerance*: An unacceptable level of risk so immediate action should be taken to reduce the risk

Outer limit of Council's *Appetite*: Risks at this level should be more closely controlled

Operational Risk Register – High risks

The following table is an extract from the comprehensive risk register and outlines the Council's operational risks. *The **current** rating is the rating assuming existing controls are working effectively.*

Service	Risk Title	Current Risk Score (I x L)		Movement over time	Mitigated Risk Score (IxL)
		April 2021	February 2022		
Leisure & Technical Services	**Eastchurch Cliff Slide** Financial impact on Local Authority and Shoreline Management plan of Eastchurch Cliff Slide	16 (4 x 4)	12 (4 x 3)	∨	9 (3 x 3)
Finance	**External Audit of Statutory Accounts to deadline** As a result of difficulties in recruitment the external auditors are unable to resource the audit of the financial accounts in time to meet the statutory deadline.	12 (3 x 4)	12 (3 x 4)	—	6 (3 x 2)
Finance	**Staffing** Heavy reliance on a core of highly experienced staff, inability to recruit agency and new staff during coronavirus pandemic	12 (4 x 3)	12 (4 x 3)	—	8 (4 x 2)
Economy & Community (Safer and Stronger)	**CCTV Staffing** As a result of staff availability due to Covid, there may be a failure to deliver operational CCTV service for agreed hours	16 (4 x 4)	16 (4 x 4)	—	8 (4 x 2)
Housing	**Affordable Housing Project** Due to the affect of the pandemic and Brexit on the construction industry the scheme becomes financially unviable due to changes in the economic environment	8 (4 x 2)	12 (4 x 3)	∧	4 (4 x 1)
Housing Options	**Provision of cost of Temporary Accommodation** Not enough access to temporary accommodation or a lack of supply causes costs to increase. Additionally a strong reliability on external funding.	20 (5 x 4)	20 (5 x 4)	—	16 (4 x 4)

Service	Risk Title	Current Risk Score (I x L)		Movement over time	Mitigated Risk Score (IxL)
		April 2021	February 2022		
Housing Options	**Staff recruitment and retention** Limited ability to recruit to posts and retain staff particularly due to remuneration package	16 (4 x 4)	16 (4 x 4)	⌃	4 (2 x 2)
Housing Options	**Safeguarding Concerns Missed** Increased caseload results in missed safeguarding issues	12 (4 x 3)	16 (4 x 4)	—	8 (4 x 2)
Housing Options	**Rough Sleepers - Budget** Unexpected demand leads to budget overspend	16 (4 x 4)	16 (4 x 4)	—	9 (3 x 3)
Licensing	**Recruitment of Licensing Team Leader** Lack of time to progress recruitment for resourcing Licensing Team Leader	12 (3 x 4)	12 (3 x 4)	—	6 (3 x 2)
Planning Services	**New Planning Regs - Loss of Income** The new Planning Regulations cause a loss of income from fewer planning applications	16 (4 x 4)	16 (4 x 4)	—	9 (3 x 3)
Planning Services	**Planning resources** Without maintaining adequate staffing levels the service would be unable to meet workload requirements and maintain quality of outputs	9 (3 x 3)	12 (4 x 3)	⌃	9 (3 x 3)
Planning Services	**New Planning Regs - Frontloading of Planning Policy** The new Planning Regulations cause extra costs associated with planning policy to adapt to the frontloading	12 (4 x 3)	12 (4 x 3)	—	4 (2 x 2)
Planning Services	**New Planning Regs - Skills** Lack of officer skills to support the new planning system. Lack of qualified Urban Planners/Designers and lack of existing transferable skills	12 (3 x 4)	12 (3 x 4)	—	4 (2 x 2)
Democratic Services	**Insufficient Resources** Not enough resources to effectively manage changes to Committee meetings (Local plan, Area Committees, re-organised from Covid)	12 (4 x 3)	12 (4 x 3)	—	2 (2 x 1)

Service	Risk Title	Current Risk Score (I x L)		Movement over time	Mitigated Risk Score (IxL)
		April 2021	February 2022		
Economy & Community (Economic Development)	**Delivery of Service Plan** Reduced staffing resources impact on ability to deliver against service plan with additional work generated by Covid response	16 (4 x 4)	16 (4 x 4)	—	9 (3 x 3)
MKS IT	**IT Security Breach** A failure in investment or training could result in costly and/or reputational damage	16 (4 x 4)	16 (4 x 4)	—	16 (4 x 4)
Mid Kent Audit	**Resource constraints** As a result of resource constraints we are unable to deliver the assurance plan and a robust opinion	9 (3 x 3)	16 (4 x 4)	⌃	9 (3 x 3)
Mid Kent Audit	**Ineffective Recruitment and Onboarding** As a result of poor recruitment and onboarding practices we engage staff (team or contract) who do not deliver as expected. Causing disruption to the team and a decrease in the quality of our work. This is particularly relevant to the transitioning of the substantive Head of Audit	16 (4 x 4)	16 (4 x 4)	—	8 (4 x 2)
Mid Kent Audit	**Loss of Motivation, health & wellbeing** Losing / failing to maintain positive and motivated team members as a result of changes in process and staff including impact of Covid & remote working. Leading to a loss of health & wellbeing and increased absence levels	12 (4 x 3)	16 (4 x 4)	⌃	8 (4 x 2)
Mid Kent Environmental Health	**Insufficient Resources (Staff)** As a result of difficulty recruiting or managing covid absence there is insufficient resources to respond to requirements of FSA and other statutory responsibilities (including Covid)	12 (4 x 3)	12 (4 x 3)	—	6 (2 x 3)

Service	Risk Title	Current Risk Score (I x L)		Movement over time	Mitigated Risk Score (IxL)
		April 2021	February 2022		
MKS Legal Services	**Recruitment Difficulties** Changes in staffing and difficulty recruiting leading to difficulty managing workloads - The pay levels in particular areas of law still creates difficulties in recruitment/ retention, adversely impacting the ability of MKLS to recruit experienced senior lawyers in the area of Contracts/Procurement	6 (2 x 3)	16 (4 x 4)	⌃	12 (4 x 3)
MKS Legal Services	**Excess of Work** Pressures of large projects and day to day work creates excessive demand across MKLS	6 (2 x 3)	12 (3 x 4)	⌃	12 (3 x 4)