

Risk Management Update

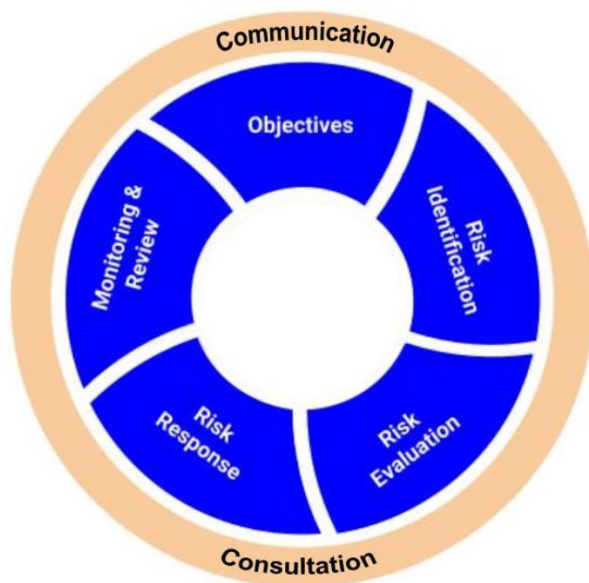
March 2023



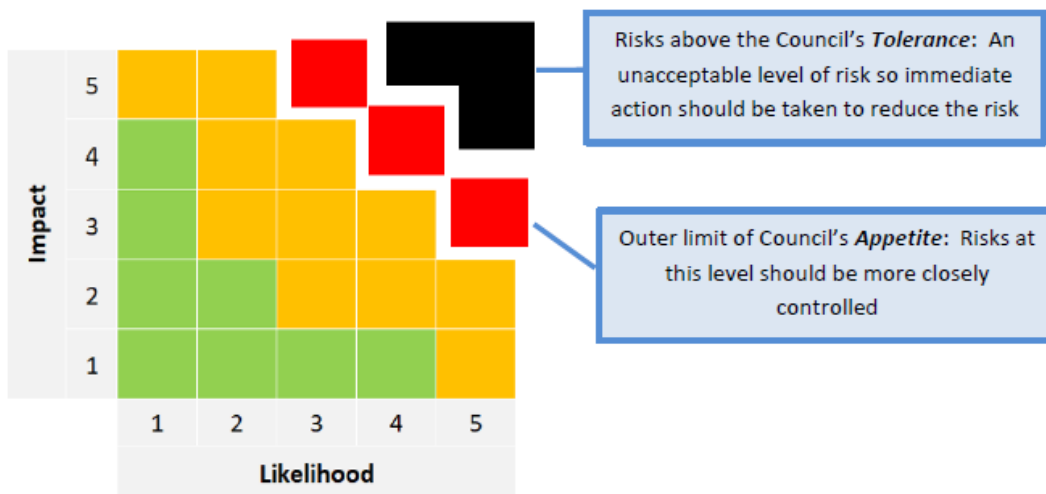
Risk Management Process

A risk is a **potential future event that, if it materialises, effects the achievement of objectives**. Risk management is the process of identifying, measuring and responding to risks. These processes help to ensure that the Council achieves its corporate and service objectives by controlling risks in balance with resources. Good risk management also increases our ability to cope with developing and uncertain events and helps to instil a culture of continuous improvement and optimisation.

The Risk Management Framework sets out the Council’s approach to managing corporate and operational (service) risks. The risk management process is broken down into the following key components, which start with being clear about what the Council, or service are trying to achieve.



The Risk Management Framework also includes the Council’s risk appetite statement, which articulates how much risk the Council is comfortable with and able to bear. The Council recognises that to achieve its objectives it must take risks, but that some risks are unacceptable (above our tolerance) and so action should be taken immediately to manage these risks. Risk appetite and tolerance are illustrated in the following matrix:



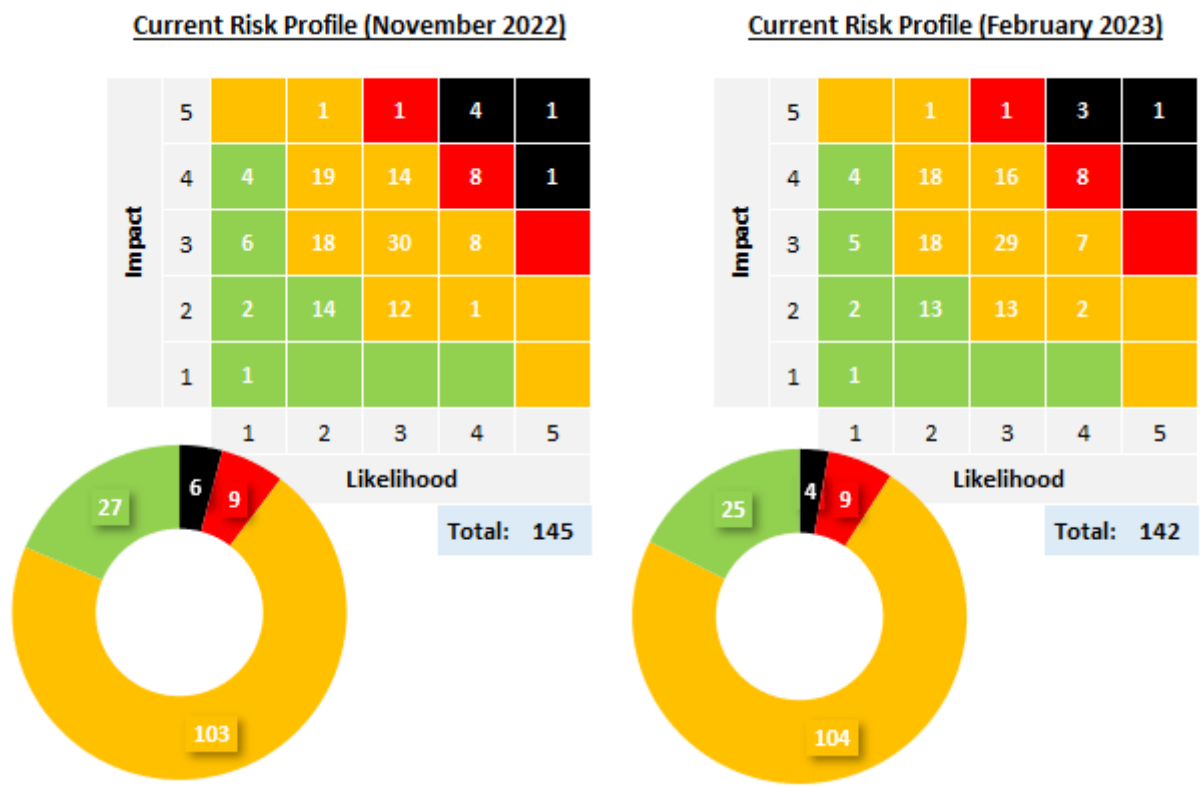
Introduction

Having arrangements in place to identify and manage our risks, increases our chances of achieving corporate and operational objectives and reduces 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 and discuss risk information.

The first risk update report was taken to Policy & Resources Committee on 28th September 2022. Feedback from Members has been incorporated into this report. This report provides Members with the detail of all corporate risks, an outline of high (red/black) operational risks and the overall risk profile of the Council.

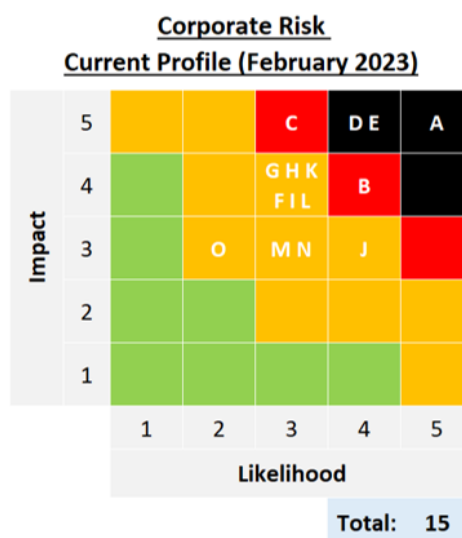
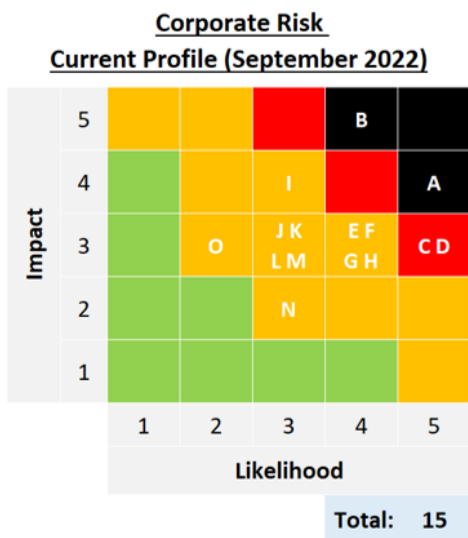
Risk Profile

The following diagrams detail the Council’s overall risk profile and includes both Swale and shared service risks. This demonstrates the risk to the Council at this moment in time (the **current rating**) and compares how the profile has changed since November 2022 (the last report to Senior Management Team). As can be seen there is a small decrease in the overall number of risks from 145 to 142, and 2 (corporate) risks have reduced out of the black. The remainder of the report further describes the changes.

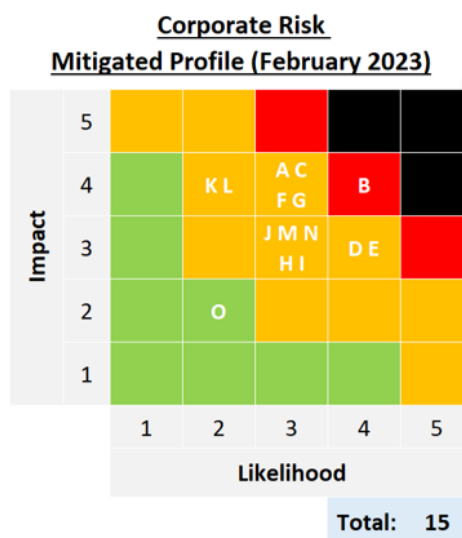


Corporate Risks

Risk owners have reviewed and updated their risks and associated controls and actions. The following diagrams set out the corporate risk profile, which is to say the score of each corporate risk plotted onto the risk matrix. This demonstrates the risk to the Council at this moment in time (the **current rating**) and what it could look like in the future assuming all planned actions are completed (the **mitigated rating**), the current risk profile as at the last report to Policy & Resources Committee is also shown. Appendix 1a sets out the impact and likelihood scoring criteria used to assess risks.



Ref	Risk Title	Mov'nt
A	Balancing Medium Term Budget	↔
B	Demands & Community Pressure	▼
C	Elections Fialure or Challenge	▼
D	Increased Homelessness	↔
E	Funding Capital Spend	↔
F	Major Contractor Failure or Decline	▼
G	Design of Major Contracts	▼
H	Borough Wide Infrastructure	awaiting review
I	Affordable Housing	↔
J	Recruitment & Retention of staff	↔
K	Housing Supply	awaiting review
L	Cyber Security Incident	↔
M	Swale House Refurbishment	↔
N	Climate & Ecological Emergency	↔
O	Focus on Established Priorities	▼



After actions implemented

Risks B, C and O have all decreased due to the successful implementation of planned actions.

Risks F and G have also decreased. The likelihood of the contract failure risk (F) has decreased as the controls are working effectively to manage the risk. The impact associated with the design of major contracts risk (G) has decreased now the implications from the wate contract are clear – i.e. the future impact for other major contracts is less.

The detail of each corporate risk is outlined below.

Corporate Risks Table

Ref	Risk (Cause / Event / Consequence)	Risk Owner	Key Existing Controls	Current Rating (I x L)	Actions Planned or In Progress (target date)	Mitigated Rating (I x L)
A	<p>Hyper inflation and current economic market conditions and uncertainty over government funding</p> <p>Unable to balance the Budget over the medium term</p> <p>Unable to match the delivery of coalition priorities and core Council services to funding levels</p>	Director of Resources	<p>Budget setting & monitoring process and Medium Term Financial Plan</p> <p>Information sharing at Chief Finance Officers and Chief Accountants Groups</p> <p>Use of specialist local government financial consultants</p> <p>Reserves strategy</p> <p>Income generation initiatives</p> <p>Ongoing regular reporting to SMT and the Leader, including a Finance Sub Group to consider the budget and fees & charges</p> <p>Awareness of proposed changes to local government finance</p>	25 (5x5)	<p>Service reviews complete for the 23/24 budget round with £2.8m of savings identified from services leaving £2m to be taken from reserves. Final decision on the budget to be taken on 22 February (28/02/2023)</p> <p>Future decision making needs to be robust to ensure resources match spending plans (31/03/2024)</p>	12 (4x3)
B	<p>Worsening inflation and the cost-of-living crisis increase pressures on individuals and business</p> <p>Increase in demands on Council services, loss of income and community pressure</p> <p>Increased costs and reputational damage</p>	Head of Housing & Community Services	<p>Internal Cost of living working group</p> <p>Administration of Household Support Fund</p> <p>Volunteer sector group in place to identify key risks and collaborative working</p> <p>Controls outlined in the Homelessness risk</p> <p>Explore Redirection of grant funds to support increase on demand to VCS</p> <p>Use of Policy & Practice data platform to provide targeted support</p> <p>Winter plan agreed with VCS on how to support residents in Swale</p>	16 (4x4)	<i>No further mitigations identified – Council will monitor effectiveness of existing controls over time</i>	16 (4x4)

Ref	Risk (Cause / Event / Consequence)	Risk Owner	Key Existing Controls	Current Rating (I x L)	Actions Planned or In Progress (target date)	Mitigated Rating (I x L)
C	<p>Elections Act 2022 introduction of Voter ID for May 2023 elections</p> <p>Election failing or being challenged</p> <p>Reduced electoral integrity, reputational damage, and potential impact on political leadership and decision-making capability for 2023/24</p>	Chief Executive	<p>Utilising senior staff for positions of responsibility within the election</p> <p>Working with Electoral Services Manager at Maidstone who is regional rep for DLUHC</p> <p>Kent Chief Executives and Kent Electoral Officers working together on joint action plan</p> <p>Corporate working group</p> <p>Staffing of all polling stations has been reviewed and additional training provided</p>	15 (5x3)	Weekly monitoring of applications for voter ID forms (31/05/23)	12 (4x3)
D	<p>Cost of living crisis</p> <p>Increases in homelessness</p> <p>Additional workload and increased cost burden for the Council</p>	Head of Housing & Community Services	<p>Review of temporary accommodation provision and maximising use of public sector assets</p> <p>Supporting / influencing developers to unlock additional social housing</p> <p>Landlord incentive scheme</p> <p>Housing Allocations Policy</p> <p>Homeless Prevention Team in place</p> <p>Forecasting of homelessness spend and adjustments to budgets made as part of medium-term financial planning</p> <p>Increasing supply of affordable housing to increase rental supply</p> <p>Temporary Accommodation Improvement Plan in place and being actioned</p> <p>Additional temporary Housing Benefit Officer employed</p>	20 (5x4)	<p>Undertake a tender process for provision of temporary accommodation (30/04/2023)</p> <p>Review all those in temporary accommodation households (30/04/2023)</p> <p>Revised Housing Strategy drafted and approved to go out to consultation (30/06/2023)</p> <p>Implement TA Purchase project - agreed by Housing & Health Committee, awaiting budget approval and then 2 year project will be established/ (28/02/2025)</p>	12 (3x4)

Ref	Risk (Cause / Event / Consequence)	Risk Owner	Key Existing Controls	Current Rating (I x L)	Actions Planned or In Progress (target date)	Mitigated Rating (I x L)
E	<p>Including pressures from delivery of Swale House Refurbishment, lending to Rainbow Homes, acquisition of waste fleet, increasing interest rates impacting on cost of borrowing</p> <p>Funding Capital Spend Delivery of coalition priorities requires capital spend which cannot be accommodated within the revenue budget.</p> <p>Non-delivery or reduction in scope of coalition priorities. Based on current market conditions the projects are not affordable and will severely impact ability to deliver a balanced budget.</p>	Director of Resources	<p>Revenue implications of capital explicitly funded through revenue budget</p> <p>Liaison with commercial tenants</p> <p>All capital projects to have business case agreed by relevant Committee</p> <p>Capital schemes may generate new revenue income streams</p> <p>North Kent Pooled Business rate fund to meet capital costs</p> <p>Annual review of capital programme and ongoing process to review business plans for current programme as required</p>	20 (5x4)	<p>s106 and grant funding of new capital projects only in the future - External income to be reviewed for the 24/25 budget process (31/03/2024)</p> <p>Work more closely with commercial tenants (31/08/2023)</p> <p>Generation of capital receipts through selling assets (31/03/2024)</p> <p>Consultant working on the Rainbow Homes business case and reviewing costs (30/06/2023)</p>	12 (3x4)
F	<p>Contractor financial difficulties in general or impacts from economic/market factors (fuel crisis, driver shortages, labour challenges, strike action)</p> <p>Major Contractor Failure or Decline: Existing suppliers not delivering as per the contract</p> <p>This results in the Council not getting the anticipated level of service or at its worst a complete failure in the service / company insolvent</p>	Head of Environment & Leisure	<p>Contracts in place and regularly monitored</p> <p>Annual reconciliation of invoices paid to contractors</p> <p>Regular dialogue with contractors and use of performance mechanisms</p> <p>Awareness of industry developments and best practice</p> <p>Routine financial checks</p> <p>Discussions with contractors around the impact of COVID-19 / other external issues</p> <p>Supporting contractors to undertake new initiatives to resolve problems</p> <p>Council stepping in to support contractor staff if necessary</p>	12 (4x3)	No further mitigations identified – existing controls are ongoing to manage the risk	12 (4x3)

Ref	Risk (Cause / Event / Consequence)	Risk Owner	Key Existing Controls	Current Rating (I x L)	Actions Planned or In Progress (target date)	Mitigated Rating (I x L)
G	<p>Changes in political direction (central and local) or service specification required/needed by residents</p> <p>Design of Major Contracts: Significant changes in how major contracts are delivered when the contract expires</p> <p>Significant financial consequences for the Council.</p> <p>Reputational risk of no longer delivering the required service.</p>	Head of Environment & Leisure	<p>Robust tender process that includes the early identification of contracts approaching the end of their term</p> <p>Ongoing engagement with Members to provide a clear perspective on direction</p> <p>Awareness of central government legislative changes</p> <p>Review potential methods of operation, including researching approaches adopted by other local authorities</p> <p>Early market testing to support financial predictions</p> <p>Design of waste specification completed with careful consideration of financial implications</p> <p>GM contract completed and in final transition</p> <p>Availability of expert legal advice</p>	12 (4x3)	<p>Continued Member engagement - especially since change of governance structures, discussion at environment committee and Member briefing ahead of final contract award committee (ongoing)</p> <p>Continue to follow Government consultations on new legislation - some basic updates received but no confirmation on when full details will be released (TBC)</p> <p>Continue to research alternatives to commissioned services and ways to reduce financial implications (as required)</p>	12 (4x3)
H	<p>Borough wide Infrastructure: Infrastructure programmes don't align to the local plan review</p> <p>Fail to make a robust case for public funding and / or to support development proposals that create sustainable communities</p>	Head of Planning Services	<p>Regular communication with developers, KCC, Integrated Care Board and infrastructure agencies (i.e. highways) government</p> <p>Independent specialist advice / support to work on viability / realistic development modelling</p> <p>Pursue funding opportunities/lobby agencies and Government/support delivery agencies to progress schemes</p> <p>Head of Regeneration & Economic Development actively seeking public funding</p> <p>UK Shared Prosperity and Rural England Prosperity funds investment plans to unlock central government allocation</p> <p>Levelling-Up Fund business case</p> <p>Continue to strengthen relationships and communications with developers</p>	12 (4x3)	<p>Exploring development strategy options in the review Local Plan to support local bids and funding (TBC as local plan review paused)</p> <p>Junction 5 proposals underway (due to be completed by 2024)</p> <p>Pursue private sector funding streams (as required)</p> <p>Key Street and Grovehurst junctions agreed (start in 2022)</p> <p>Pursuing commitment for major improvement to M2J7 with KCC and Canterbury CC (2024)</p> <p>Discussions with Integrated Care Board to establish an investment plan for the area</p>	9 (3x3)

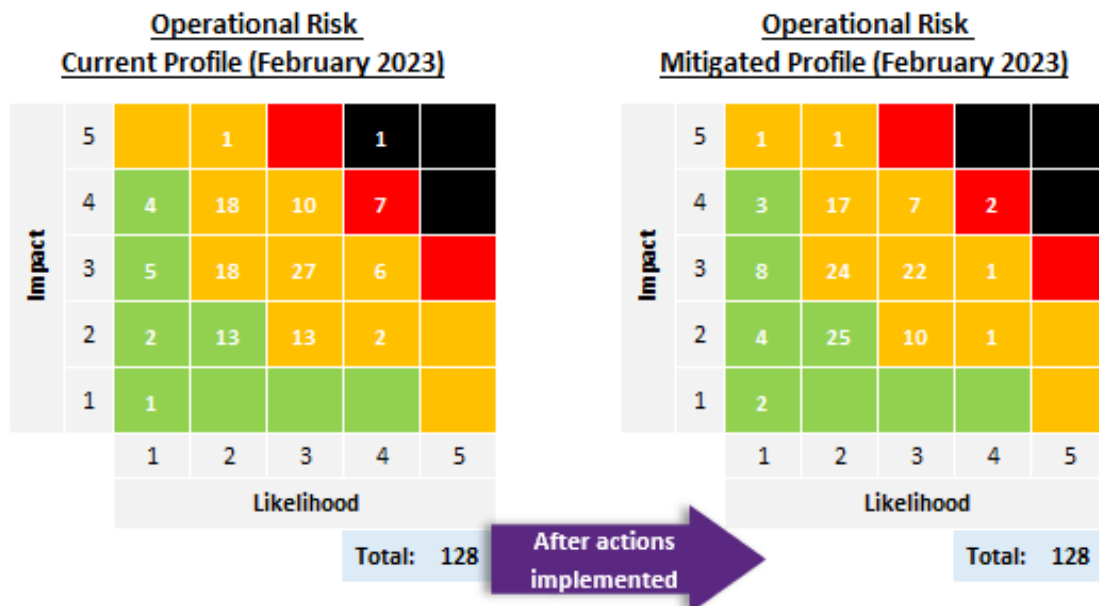
Ref	Risk (Cause / Event / Consequence)	Risk Owner	Key Existing Controls	Current Rating (I x L)	Actions Planned or In Progress (target date)	Mitigated Rating (I x L)
I	<p>Limitations in funding and market interest</p> <p>Affordable Housing: Failure to develop a good quality, viable project for the delivery of affordable housing</p>	Head of Housing & Community Services	<p>Access to expert consultancy and legal advice</p> <p>Strong relationships with ~RPs that develop in Swale</p> <p>Capital funding agreed by council</p> <p>SBC Landholdings identified to support the project</p> <p>Review of best practice</p> <p>Initial scoping and viability work undertaken on landholdings</p> <p>Available sources of funding reviewed</p> <p>Testing the market for possible partners</p> <p>Local Housing Company set up and director appointed to lead on development of sites</p> <p>Monitor market for land acquisitions</p> <p>Acquire suitable land to enable development of Affordable Housing</p>	12 (4x3)	<p>Deliver 3 development sites agreed by Cabinet (31/03/2024)</p> <p>Homes England grant application being developed (31/03/2023)</p> <p>Become an investment partner with Homes England (31/03/2023)</p> <p>Rainbow Homes to become a registered provider (31/03/2024)</p>	9 (3x3)
J	<p>As a result of the current recruitment market the Council</p> <p>Struggles to recruit and retain the right staff</p> <p>Increased costs and a loss of productivity</p>	Head of Mid Kent HR & Director of Resources	<p>Workforce strategy monitoring and reporting</p> <p>Training and development programme (including hybrid working skills and SmartPath to support managers)</p> <p>Occupational health, employee support and HSE Stress survey</p> <p>Recruitment process includes ability to adjust pay & market supplement for hard to recruit jobs</p> <p>Rewards package reviewed regularly</p> <p>Commissioning specialist external support as required</p> <p>Online onboarding of new staff</p> <p>Use of Clear Review to encourage continuous conversations and clear objectives</p> <p>Hybrid Policy and service review of hybrid working arrangements</p>	12 (3x4)	<p>Consult on introduction of 34hour working week to support recruitment and retention. (30/04/23)</p> <p>Explore further creation of career grades and the ability to bring in graduates (30/04/2023)</p> <p>Strengthen the succession planning progress (30/04/2023)</p> <p>Explore and increase in HR resources to support alternative recruitment methods (30/04/2023)</p>	9 (3x3)

Ref	Risk (Cause / Event / Consequence)	Risk Owner	Key Existing Controls	Current Rating (I x L)	Actions Planned or In Progress (target date)	Mitigated Rating (I x L)
K	<p>Housing Supply: Council continues not to deliver the 5year housing supply Increased ad hoc greenfield planning applications and potential appeals costs</p>	Head of Planning Services	Provision of a sound evidence base to support the Council's proposals for housing delivery Promote sites with early delivery programmes Ensure Members are kept up to date with key regulation and legislation changes	12 (4x3)	Local Plan review paused awaiting clarity around legislation (TBC)	8 (4x2)
L	<p>Security breach or system weakness Cyber Security Incident Cyber-attack that results in system unavailability and financial or legal liability</p>	Head of Mid Kent IT	Effective backup arrangements External testing ICT policies & staff training, including disaster recovery plan Cyber Security testing & training, plus awareness quarterly campaigns Nessus scanning software reporting daily on system vulnerabilities Darktrace enterprise cyber immune system deployed New firewall in place (August 2022)	12 (4x3)	No further mitigations identified – existing controls are ongoing to manage the risk	12 (4x3)
M	<p>Cost uncertainties in the construction market; unexpected delays or additions to work programme. Swale House Refurbishment: refurbishment of Swale House does not support 'new ways of working' Hinders the delivery of effective office-based working within flexible / hybrid arrangements.</p>	Head of Regeneration & Economic Development	Participation in Climate & Ecological Emergency group Consultant (Quartz) in place to provide advice to project team Cabinet agreement to award the contract March 2022. Work to start from late spring Contract in place to govern the works New ways of working (NWOW) steering group in place to support physical and cultural changes Regular contractor meeting to monitor delivery	9 (3x3)	Space Planner appointed to support building layout which will promote new ways of working (31/07/23)	9 (3x3)

Ref	Risk (Cause / Event / Consequence)	Risk Owner	Key Existing Controls	Current Rating (I x L)	Actions Planned or In Progress (target date)	Mitigated Rating (I x L)
N	<p>Financial costs restrict delivery of actions</p> <p>Loss of key personnel</p> <p>Changes in national policy</p> <p>The Council is unable to deliver the climate & ecological emergency motion agreed at Council in June 2019.</p> <p>Reputational damage</p> <p>Not meeting net zero for Swale operations</p>	Head of Environment & Leisure	<p>Climate & ecology emergency Member / officer steering group established</p> <p>Annual report to Council to monitor progress</p> <p>Corporate Action Plan being delivered</p> <p>Annual revision of action plan including focus on top 10 actions</p> <p>Environmental gains factored into major contracts</p>	9 (3x3)	<p>Swale House refurbishment will be completed (31/03/23)</p> <p>Key environmental policies remain in draft (new local plan)</p>	9 (3x3)
O	<p>Emerging issues and short-term initiatives</p> <p>Focus on established priorities: Resources are dissipated away from statutory responsibilities and established priorities</p> <p>Inhibits the Council's ability to deliver on the administration's medium-term objectives</p>	Chief Executive	<p>Agreed corporate plan priorities which have been prioritised and are being monitored through Pentana Service planning process designed to relate activity more explicitly to resources and priorities</p> <p>Regular 1-2-1 meetings between senior members & heads of service</p> <p>Robust budget-setting process</p> <p>Single CLT member identified to monitor/coordinate cross-cutting work on each corporate-plan objective</p> <p>Directors have overall responsibility for the delivery of the priorities</p> <p>Annual report process to be focused on corporate-plan objectives</p> <p>Routine reporting on progress against priorities to P&R Committee</p>	6 (3x2)	<p>Working to have a full LGA Corporate Peer review in February 2023 - corporate peer review scheduled for w/c 12 March. Pre-review work completed and forwarded to LGA (30/04/2023)</p>	4 (2x2)

Operational Risks

The following diagrams set out the operational risk profile, which is to say the score of Swale and shared service operational risks plotted onto the risk matrix. This demonstrates the risk to the Council at this moment in time (the **current rating**) and what it could look like in the future assuming all planned actions are completed (the **mitigated rating**). Appendix 1a sets out the impact and likelihood scoring criteria used to assess risks.



There continues to be 8 risks above the Council’s risk appetite, including one black risk above its tolerance. With mitigating actions 2 of these risks will remain above the appetite. In summary the high-level risks are as follows:

Service	Risk Event	Current Rating (I x L)	Mitigated Rating (I x L)
Housing Options	Provision and cost of Temporary Accommodation	20 (5x4)	16 (4x4)
Mid Kent ICT	IT Security Breach	16 (4x4)	16 (4x4)
Mid Kent Legal Services	Difficulty recruiting and retaining staff	16 (4x4)	12 (4x3)
Housing Options	Staff recruitment and retention	16 (4x4)	12 (4x3)
Economic Development & External Funding	Delivery against relevant Council priorities	16 (4x4)	9 (3x3)
Economic Development & External Funding	Post-16 learning provision in the Borough cannot be improved	16 (4x4)	12 (4x3)
Planning Services	New Planning Regs	16 (4x4)	9 (3x3)
Community Safety	CCTV Staffing	16 (4x4)	6 (3x2)

APPENDIX Ia 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	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 LIKELIHOOD

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.