

MID KENT AUDIT

Risk Management Update

Audit Committee

March 2017



Introduction

Effective risk management is a vital part of the Council's governance, and contributes greatly to the successful delivery of services and the Council's objectives. The Council has always recognised and supported the need to have effective risk management processes. However, in early 2015 Strategic Management Team (SMT) raised concerns over the effectiveness of the then current arrangements.

We (Mid Kent Audit) were asked to review the risk management arrangements, completing a health-check against current best practice principles.

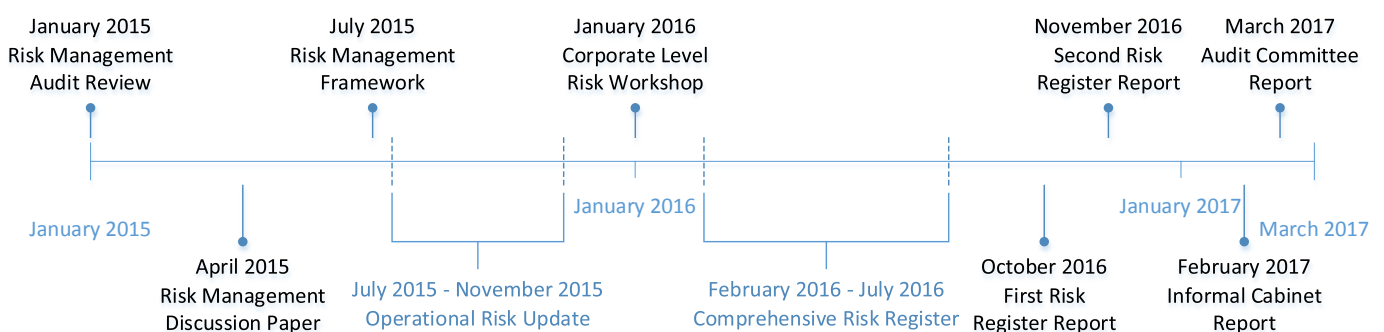
Our review identified that while the Council had good processes in place to identify strategic and service-level risks, there were various inconsistencies in how the risk management processes were adopted and operating across the Council. We sought to address these findings through three key recommendations:

1. **Refresh the risk management strategy in line with current best practice and the needs of the Council's business.**
2. **Create accompanying guidance and procedures to support delivery of the risk management strategy.**
3. **Develop and provide training to appropriate officers and members on the Council's risk management strategy and processes.**

In response to these findings Strategic Management Team sought immediate action, which included clearly allocating responsibility for risk to us in Mid Kent Audit. Since the review we have been working with SMT, Heads of Service and Managers to implement improved risk management arrangements to ensure the Council is able to better identify, assess and respond to key risks as they arise and develop.

This report summarises the key developments and actions taken so far, and begins the process for communicating and reporting to Members via the Audit Committee.

Timeline of work:



Risk management framework

We created and implemented a risk management framework. This is a comprehensive document to guide Officers and Managers through the process, creating a risk register and managing their risks. It sets out the rationale, responsibilities and framework by which all risks are assessed in terms of likelihood and impact (see appendix III).

Using this guidance we ran a series of workshops with Managers to update all of the Council's risks, and to create a comprehensive risk register. This register collates in one place and in a single format, all of the operational and corporate level risks faced by the Council.

Corporate Level Risks

By definition, these are risks that are more strategic, and therefore tend to carry a higher impact level as they affect multiple services. They are the risks that could prevent the Council from achieving its ambitions and objectives. As these risks are more prominent they remain on the Council agenda and are reported and monitored quarterly to SMT.

We compiled the Corporate Level Risks initially as part of a workshop in January 2016 with SMT and Heads of Service. All of these risks are detailed further in this report.

Operational risks

At the operational level risks are more directly linked with our day to day operation of services. However the framework recognises operational risks can nonetheless have potential for significant impact.

Operational level risks are identified as part of the service planning process so are reviewed and refreshed at least annually. Operational level risks with high impact and likelihood are reported and monitored by SMT quarterly.

The framework was adopted in July 2015 and the full register was compiled in the summer of 2016. All of the risks were updated, re-assessed in accordance with the guidance, and key controls and mitigations identified (for a summary of the process see appendix II).

Risk reporting

A key component of the risk management process is monitoring and reporting key risks. We started reporting the outcomes of risk work to Strategic Management Team in October 2016 and sought feedback on format, content and sufficiency of the information being provided. This meant that by the second risk report in December risk information was more useful, and presented to give valuable insight into key risk areas across the Council.

High scoring risks are updated and reported quarterly. We plan to report risk information to Cabinet, and annually to Audit Committee. As the risk information that we now hold across the Council is much more consistent and robust, we now report to Members and the public as part of our commitment to maintain strong governance arrangements.

Swale’s Risk Profile

In October 2016, following our work during the year to refresh and update all of the operational risks, and to identify and assess the corporate level risks, the risk register held 112 risks.

For the process to be effective risks must be regularly reviewed, updated and appropriately communicated. We therefore met with risk owners prior to the end of the year to revisit their risks, and more importantly, re-assess the risks where mitigation action had been taken.

The current risk profile of the Council is set out below – it is possible to see from this table the movement of risks between October and December 2016:

Inherent Risk Rating	October 2016	December 2016
BLACK	5	4
RED	19	17
AMBER	59	59
GREEN	25	25
BLUE	4	4
TOTAL	112	109

Risk information is more commonly shown in a risk matrix. The risk matrix enables us at a glance to see those risks that are of a critical impact level and a high likelihood.

Figure 1: Inherent risk matrix

Likelihood	5				2	
	4		2	3	4	2
	3		9	17	10	
	2	2	14	21	9	1
	1		2	4	7	
		1	2	3	4	5
		Impact				

This matrix shows the full risk profile for the Council of all 109 risks present on the comprehensive risk register as at December 2016.

The matrix shows all of the inherent risks, meaning these are the risks as they currently stand, before planned action and mitigation.

There is a spread of risks, but there is a definite concentration within the amber line. These are risks sit at the moderate level for impact and likelihood.

We will be looking to monitor / review **amber** risks every 6 months.

Risk tolerance

Risk tolerance is the level of risk that the Council is willing to accept before seeking to take action to address or manage the risk to a ‘safer’ level. The tolerance for the Council is illustrated in the matrix as the **RED** and **BLACK** areas. This means that the Council will seek to manage risk of this level downwards, or if this is not possible, to monitor the risk more closely.

The same approach is taken for risk at both the operational and corporate level. However, corporate level risks, due to their very nature, will be monitored and reported throughout the year.

Corporate Level Risks

The summary table below shows the corporate level risks for Swale, all of the risks are linked to the priorities as set out in the Corporate Plan. As a high level summary the extract below shows the risk, the impact and likelihood, and the key impact area for each risk.

The full register includes further details on the current controls and planned controls for each risk; this has enabled us to re-assess the risk scores where actions are planned to further manage the risks.

Borough to be Proud

Ref	Risk	Risk Owner	Inherent Rating			Key Impact	Mitigated Rating (residual)		
			I	L	Σ		I	L	Σ
COR1	Sittingbourne Town Centre The project does not deliver intended outcomes or becomes no longer viable, and there is no 'Plan B' in place	Emma Wiggins	4	5	20	<i>Failure to deliver Council priorities and uncontrolled financial loss</i>	4	3	12
COR2	Regeneration Projects Delay in delivery of one or more of the Council's other key regeneration projects	Emma Wiggins	4	3	12	<i>Failure to deliver Council priorities and uncontrolled financial loss</i>	4	2	8
COR3	Infrastructure Lack of investment funding causing delay or cancellation of infrastructure projects required to support delivery of the Council's regeneration priorities	James Freeman	4	3	12	<i>Uncontrolled financial loss – linked to business rate growth</i>	4	3	12
COR4	Planning: Local Plan Lack of sound legal framework for Local Plan, leaving Council open to appeals Poor decision-making by Planning Committee, resulting in successful appeals	James Freeman	4	3	12	<i>Failure to deliver Council priorities and uncontrolled financial loss</i>	4	2	8

Community to be Proud

Ref	Risk	Risk Owner	Inherent Rating			Key Impact	Mitigated Rating (residual)		
			I	L	Σ		I	L	Σ
COR5	Homelessness Inability for the Council to meet or cope with unprecedented increased numbers of homeless cases	Amber Christou	4	5	20	<i>Financial impact on budget in excess of £100k and statutory service delivery</i>	3	4	12
COR6	Workforce Skills Employers in the Borough are unable to recruit or retain sufficient skilled workforce necessary to grow their businesses	Emma Wiggins	3	3	9	<i>No major impact identified – this risk sits within the risk appetite</i>	3	3	9
COR7	Safeguarding Breakdown of Safeguarding controls results in the Council failing to protect vulnerable residents	Emma Wiggins	4	2	8	<i>Health & Safety – safeguarding incident. Risk sits within the appetite</i>	4	2	8

Council to be Proud

Ref	Risk	Risk Owner	Inherent Rating			Key Impact	Mitigated Rating (residual)		
			I	L	Σ		I	L	Σ
COR8	Finance Resource Limitations Loss of government funding means that Council is dependent on income raised locally for financial stability	Nick Vickers	4	3	12	<i>Failure to deliver Council priorities and uncontrolled financial loss</i>	4	2	8
COR9	Resource Constraints (Emergency Response) We do not have sufficient staff to cover emergency events	Della Fackrell	3	3	9	<i>No major impact identified – this risk sits within the risk appetite</i>	3	2	6
COR10	Resource Constraints (Recruitment & Retention) We are unable to recruit and/or retain staff with the right skillsets we need to deliver our priorities	Dena Smart	2	2	4	<i>No major impact identified – this risk sits within the risk appetite</i>	2	2	4
COR11	Resource Constraints (Accommodation) Excessive accommodation costs continue to be incurred due to poor condition of Swale House and lack of timely decision about future accommodation	Anne Adams	4	3	12	<i>Financial impact on budgets in excess of £100k – biggest risk is Swale House lifts</i>	4	2	8
COR12	Transformation Transformation projects do not deliver the intended efficiencies	Dave Thomas	3	3	9	<i>No major impact identified – this risk sits within the risk appetite</i>	3	2	6
COR13	Devolution Devolution discussions break down, or do not support the interests of Swale	David Clifford	3	2	6	<i>No major impact identified – this risk sits within the risk appetite</i>	3	2	6
COR14	Partnerships Breakdown in one or more partnership relationships, resulting in failure to delivery objectives	David Clifford	4	2	8	<i>Failure to deliver Council services / priorities</i>	4	2	8

Next Steps

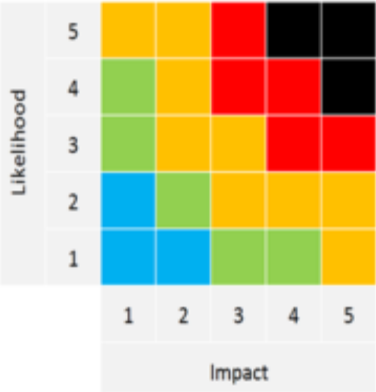
As those charged with governance the Audit Committee should seek assurance that the Council operates effective risk management. However, there is also a role for Executive in monitoring the substance of individual risks to ensure issues are appropriately monitored and addressed. In this way reported risk information fulfils both Executive and oversight functions.

We have made substantial progress since the initial review in January 2015, particularly over the last year. This wouldn't have been possible without the great deal of positive engagement and support of Senior Officers and Managers in the Council. Risk management is a continuous process, and to be valuable it must be updated and maintained. We will continue to build on this good work to embed and improve the arrangements for 2017/18 focussing on the following areas:

1. Update and refresh of the Corporate Level Risks;
2. Improvement to the risk implications for key decisions;
3. Formulation and adoption of a risk appetite statement;
4. Training and briefing sessions to Officers and Members;
5. Regular reporting on risks to Strategic Management Team and Members;

As this is the first time that we will be reporting risk information since updating the process, your comments on the operation of the risk management process, and the key risks would be gratefully received.

Swale Risk Management Process: One Page Summary

Step 1 – Identify Risks	Step 2 – Evaluate Risks	Step 3 – Treat Risks	Step 4 – Review Risks
<p>Best done in groups, by those responsible for delivering objectives, at all levels</p> <p>RISK is the chance of something happening that will impact on 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 appraisals <p>Think both what could go wrong and what more could we achieve?</p>	<p>Combination of the impact and likelihood of an event and its consequences (the inherent risk)</p>  <p>Black – Top risk, immediate action and reporting to directors Red – High risk, immediate action Amber – Medium risk, review current controls Green – Low risk, limited action, include in plans Blue – Minimal risk, no action but review</p>	<p>Concentrate on top risks, 10 to 12 in number</p> <ul style="list-style-type: none"> • Can we reduce likelihood? • Can we reduce impact? <p>Risk Response – 4 Ts</p> <ul style="list-style-type: none"> • Treat (i.e. apply controls) • Tolerate (i.e. accept risk) • Transfer (i.e. insurance) • Terminate (i.e. stop activity) <p>After your risk response; where does it score now? (the mitigated risk)</p> <p>Devise contingencies and action plans for 'Red' and 'Black' risks – seek to reduce mitigated risk back to 'Amber' or below</p>	<p>Risk Registers</p> <ul style="list-style-type: none"> • Contain all identified risks, Management Action Plans for top risks • Prepare and monitor as regular agenda item • Indicate risk response and risk owner <p>Council risk monitoring</p> <ul style="list-style-type: none"> • Risk registers passed to internal audit • Action led periodic review to ensure registers kept current <p>Council's Top Risks</p> <ul style="list-style-type: none"> • Top ten mitigated risks and all inherent 'Black' & Corporate risks monitored as regular item at SMT • Six monthly monitoring at Audit Committee and Cabinet • Annual monitoring of process at Audit Committee

Impact & Likelihood Scales

RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law	Uncontrollable financial loss or overspend over £1.5m	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick	punishable by imprisonment or significant fines	Financial loss or overspend greater than £100k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	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 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £20k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact 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

Type	Probability	Detail 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 not 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