

# **Risk Management Update**

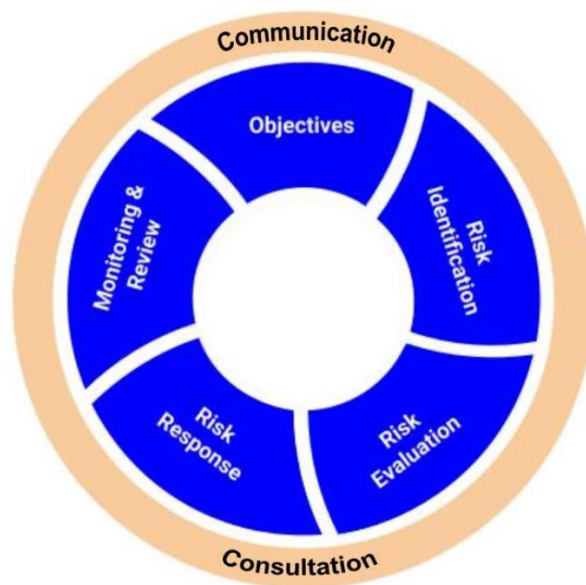
**September 2022**



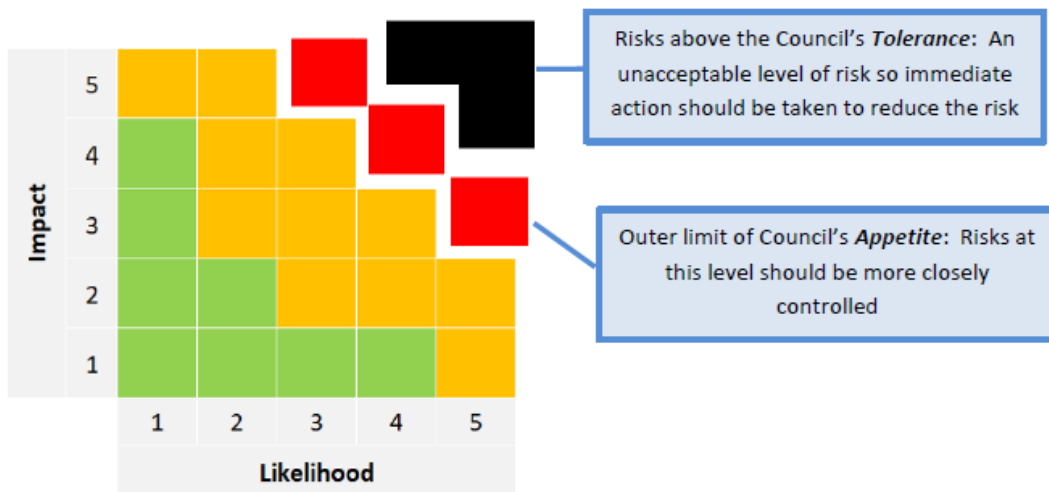
# Risk Management Process

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:



# Corporate Risks

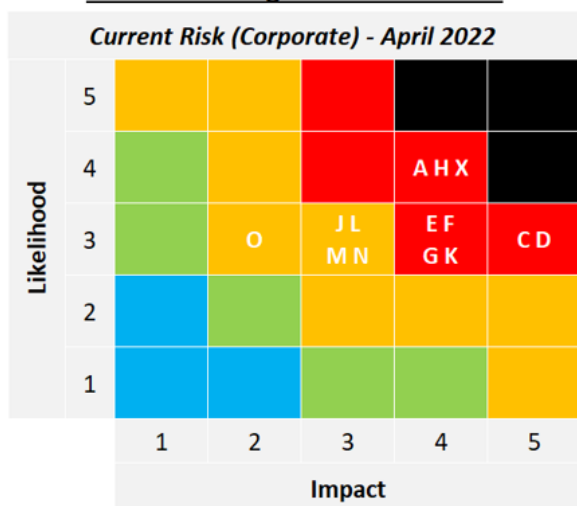
The Council’s corporate risk register includes risks that could hinder the Council in achieving its strategic priorities and delivering the overall function of the Council. These risks are owned by Members and Senior Management Team (SMT) who are responsible for managing risks by ensuring action is taken to reduce the risk where possible.

Risk owners in SMT have reviewed and updated their corporate risks. This review has been conducted using the new Risk Management Framework, which means the risks have been re-scored using the new impact and likelihood scoring criteria, as set out in Appendix Ia. The new Framework also re-defines the Council’s risk appetite and so the colour rating of the risks has been updated.

The risk matrices below detail the risk scores of the corporate risks. They show how the risks scored under the old Framework (as at April 2022) and how the risks score in the new Framework (as at September 2022) – both in terms of the **current rating** and the **mitigated rating** (i.e. what the risk score will be once planned actions have been completed). Further detail on the corporate risks, including a description of the risk and details of existing and planned key controls are outlined below the diagram.

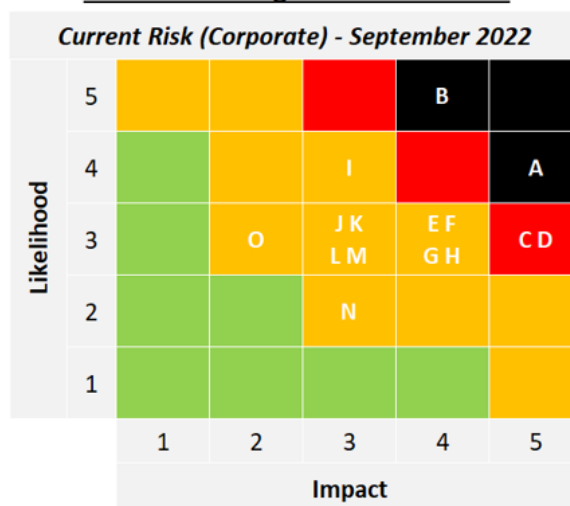
## OLD Risk Management Framework

Current Risk (Corporate) - April 2022



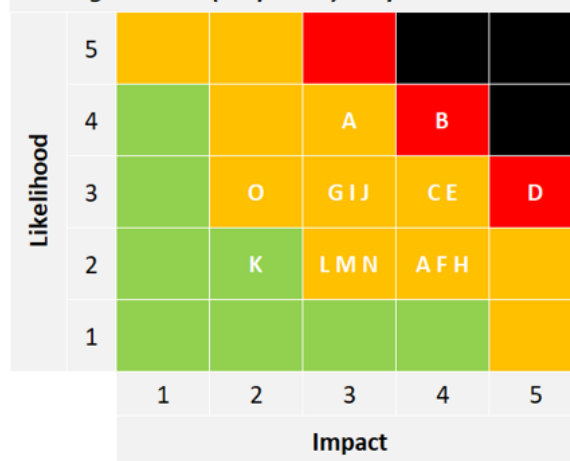
## NEW Risk Management Framework

Current Risk (Corporate) - September 2022



Ref	Risk Title
A	Homelessness
B	Demands & Community Pressure <b>NEW</b>
C	Balancing Medium Term Budget
D	Design of Major Contracts
E	Cyber Security Incident
F	Affordable Housing
G	Borough Wide Infrastructure
H	Housing Supply
I	Recruitment & Retention of staff <b>NEW</b>
J	Climate & Ecological Emergency
K	Swale House Refurbishment
L	Focus on Established Priorities
M	Funding Capital Spend
N	Major Contractor Failure or Decline
O	Adapting to New Governance Arrangements
X	Social Inclusion <b>REMOVED</b>

Mitigated Risk (Corporate) - September 2022



## ***Summary of Key Changes***

Worsening economic conditions mean ongoing financial implications associated with the *homelessness* risk. This has resulted in an increase in the impact of this risk.

The risk *social inclusion* has been removed and replaced with the *demands and community pressure* risk. The new risk reflects the implications to the Council of the cost-of living crisis resulting from increased demand to support residents and business in the Borough and from potential loss of income.

The *recruitment and retention* risk has been added to the corporate risk register as services across the Council struggle to retain staff and recruit to vacant posts. The ongoing economic conditions mean there is the potential for this position to worsen having Council-wide implications, rather than affecting only some services.

The risk description for *design of major contracts* has been updated to reflect adverse market conditions which are affecting contractor costs.

The likelihood of both *housing supply* and *major contractor failure* have decreased. Housing supply due to nearing delivery of the 5-year housing supply and contractor failure due to the successful implementation of controls to support contractors who may be struggling.

**Corporate Risk Register**

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating			Controls planned	Mitigated rating		
			Impact	L'hood	Grade		Impact	L'hood	Grade
<p><b>Homelessness</b> 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.</p>	Ben Martin & Charlotte Hudson	<ul style="list-style-type: none"> <li>- 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)</li> <li>- Supporting / influencing developers to unlock additional social housing</li> <li>- Landlord incentive scheme and close working with landlords and housing providers to incentivise private sector housing options and negotiate temporary accommodation costs                             <ul style="list-style-type: none"> <li>- Housing Allocations Policy</li> <li>- Homeless Prevention Team in place</li> <li>- Forecasting of homelessness spend and adjustments to budgets made as part of medium-term financial planning.</li> </ul> </li> <li>- Temporary Accommodation Improvement Plan in place and being actioned.</li> </ul>	5	4	20	<ul style="list-style-type: none"> <li>- Undertake a tender process for provision of temporary accommodation</li> <li>- Increasing supply of affordable housing to increase rental supply</li> <li>- Review all those in temporary accommodation households to ensure accommodation is being used, benefit claims are maximised and appropriate support given</li> <li>- Revised Housing Strategy being drafted for October Housing and Health Committee.</li> <li>- Additional temporary Housing Benefit Officer being employed to ensure maximum housing benefit is claimed on TA.</li> <li>- Business case being prepared for Council purchase of properties to use as temporary accommodation</li> </ul>	3	4	12
<p>Worsening inflation and the cost-of-living crisis increase pressures on individuals and business. This results in an <b>increase in demands on Council services, loss of income and community pressure</b>, leading to increased costs and reputational damage.</p>	Richard Palmer & Charlotte Hudson	<ul style="list-style-type: none"> <li>- Internal Cost of living working group</li> <li>- Administration of Household Support Fund</li> <li>- Volunteer sector group in place to identify key risks and collaborative working</li> <li>- <i>Controls outlined in the Homelessness risk</i></li> </ul>	4	5	20	<ul style="list-style-type: none"> <li>- Government Programme of support likely to be announced.</li> <li>- Explore Redirection of grant funds to support increase on demand to VCS</li> <li>- Use of Policy &amp; Practice data platform to provide targeted support</li> </ul>	4	4	16

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating			Controls planned	Mitigated rating		
			Impact	L'hood	Grade		Impact	L'hood	Grade
<p><b>Balancing the Budget over the medium term</b></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>	Mike Baldock & Lisa Fillery	<ul style="list-style-type: none"> <li>- Budget setting &amp; monitoring process and Medium-Term Financial Plan</li> <li>- Awareness of proposed changes to local government finance</li> <li>- Information sharing at Chief Finance Officers and Chief Accountants Groups</li> <li>- Use of specialist local government financial consultants               <ul style="list-style-type: none"> <li>- Reserves strategy</li> <li>- Income generation initiatives</li> </ul> </li> <li>- Ongoing regular reporting to SMT and the Leader, including a Finance Sub Group to consider the budget and fees &amp; charges</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>- All services to review budgets with a view to achieving the required savings (of £2.875m) to deliver a balanced budget for 23-24</li> <li>- Aligning the fees &amp; charges and budget setting process</li> <li>- Future Council decision making to ensure resources match spending plans</li> </ul>	4	3	12
<p><b>Design of Major Contracts</b></p> <p>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 along with the impact of the economic crisis and adverse market forces has significant financial consequences for the Council.</p>	Mike Baldock, Julian Saunders & Martyn Cassell	<ul style="list-style-type: none"> <li>- Robust tender process that includes the early identification of contracts approaching the end of their term</li> <li>- Consultant engaged for grounds maintenance and waste contracts to provide guidance on financial implications and meeting industry standards</li> <li>- Ongoing engagement with Members to provide a clear perspective on direction</li> <li>- Awareness of central government legislative changes               <ul style="list-style-type: none"> <li>- Review potential methods of operation, including researching approaches adopted by other local authorities</li> <li>- Early market testing to support financial predictions</li> </ul> </li> <li>- Design of waste specification completed with careful consideration of financial implications and good use of competitive dialogue process to inform</li> <li>- Grounds maintenance contract completed and in final transition</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>- Continued Member engagement especially since change of governance structures, discussion at environment committee and Member briefing ahead of final contract award committee</li> <li>- Continue to follow Government consultations on new legislation – some basic updates received but no confirmation on when full details will be released</li> <li>- Final waste and street cleansing tender stage underway followed by evaluation               <ul style="list-style-type: none"> <li>- Continue to research alternatives to commissioned services and ways to reduce financial implications</li> </ul> </li> </ul>	5	3	15

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating			Controls planned	Mitigated rating		
			Impact	L'hood	Grade		Impact	L'hood	Grade
<p><b>Cyber Security Incident</b> Security breach or system weakness leads to cyber-attack that results in system unavailability and financial or legal liability.</p>	Mike Baldock & Julie May	<ul style="list-style-type: none"> <li>- Effective backup arrangements</li> <li>- External testing</li> <li>- ICT policies &amp; staff training, including disaster recovery plan</li> <li>- Cyber security testing &amp; training, plus awareness quarterly campaigns</li> <li>- Nessus scanning software reporting daily on system vulnerabilities</li> <li>- Darktrace enterprise cyber immune system deployed</li> <li>- New firewall in place (August 2022)</li> </ul>	4	3	12				
<p><b>Affordable Housing</b> Limitations in funding and market interest result in failure to develop a good quality, viable project for the delivery of affordable housing.</p>	Ben Martin & Charlotte Hudson	<ol style="list-style-type: none"> <li>1) Access to expert consultancy and legal advice</li> <li>2) Strong relationships with RPs that develop in Swale</li> <li>3) Capital funding agreed by Council</li> <li>4) SBC Landholdings identified to support the project</li> <li>5) Review of best practice</li> <li>6) Initial scoping and viability work undertaken on landholdings</li> <li>7) Available sources of funding reviewed</li> <li>8) Testing the market for possible partners</li> <li>9) Local Housing Company set up and director appointed to lead on development of sites</li> </ol>	4	3	12	<ol style="list-style-type: none"> <li>1) Deliver 3 development sites agreed by Cabinet</li> <li>2) Monitor market for land acquisitions</li> <li>3) Acquire suitable land to enable development of Affordable Housing</li> <li>4) Homes England grant application being developed</li> <li>5) Become an investment partner with Homes England</li> <li>6) Rainbow Homes to become a registered provider</li> </ol>	4	2	8
<p><b>Borough wide Infrastructure</b> Infrastructure programmes don't align to the local plan review and the Infrastructure Delivery Plan and fail to make a robust case for public funding and / or to support development proposals that create sustainable communities.</p>	Mike Baldock, Flo Churchill & Joanne Johnson	<ul style="list-style-type: none"> <li>- Regular communication with developers, KCC, Kent CCG and infrastructure agencies (i.e. highways) government</li> <li>- Independent specialist advice / support to work on viability / realistic development modelling</li> <li>- Pursue funding opportunities/lobby agencies and Government/support delivery agencies to progress schemes</li> <li>- Head of Regeneration &amp; Economic Development actively seeking public funding</li> <li>- UK Shared Prosperity fund investment plan to unlock central government allocation</li> <li>- Submission of Levelling-Up Fund business case</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>- Continue to strengthen relationships and communications with developers</li> <li>- Exploring development strategy options in the review Local Plan to support local bids and funding</li> <li>- Junction 5 proposals underway and due to be completed by 2024</li> <li>- Pursue private sector funding streams</li> <li>- Key Street and Grovehurst junctions also agreed and start in 2022</li> <li>- Pursuing commitment for major improvement to M2J7 with KCC and Canterbury CC</li> <li>- Discussions with Sittingbourne CCG to establish an investment plan for the area</li> </ul>	3	3	9

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating			Controls planned	Mitigated rating		
			Impact	L'hood	Grade		Impact	L'hood	Grade
<p><b>Housing Supply</b> Council continues not to deliver the 5year housing supply leading to increased ad hoc greenfield planning applications and potential appeals costs.</p>	Mike Baldock & Flo Churchill	<ul style="list-style-type: none"> <li>- Provision of a sound evidence base to support the Council's proposals for housing delivery</li> <li>- Review progress against the Local Plan requirements and implement actions through housing delivery action plan</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>- Local Plan review being progressed</li> <li>- Promote sites with early delivery programmes</li> <li>- 2021 Housing Delivery Action Plan agreed and being implemented</li> <li>- Ensure Members are kept up to date with key regulation and legislation changes</li> </ul>	4	2	8
<p>As a result of the current recruitment market the Council <b>struggles to recruit and retain the right staff</b> resulting in increased costs and a loss of productivity.</p>	Mike Baldock, Lisa Fillery & Georgia Hawkes	<ul style="list-style-type: none"> <li>• Workforce strategy monitoring &amp; reporting</li> <li>• Training &amp; development programme (including hybrid working skills and SmartPath to support managers)</li> <li>• Occupational health, employee support and HSE Stress Survey</li> <li>• Recruitment process that includes ability to adjust pay and market supplement for hard to recruit jobs               <ul style="list-style-type: none"> <li>• Rewards package reviewed regularly</li> </ul> </li> <li>• Commissioning specialist external support as required               <ul style="list-style-type: none"> <li>• Online onboarding of new staff</li> </ul> </li> <li>• Use of ClearReview to encourage continuous conversations and clear objectives</li> <li>• Hybrid Policy and service review of hybrid working arrangements</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>- Explore further creation of career grades and the ability to bring in graduates</li> <li>- Strengthen the succession planning process</li> <li>- Explore an increase in HR resources to support alternative recruitment methods</li> </ul>	3	3	9
<p><b>Climate &amp; Ecology Emergency</b> The Council is unable to deliver the climate &amp; ecological emergency motion agreed at Council in June 2019.</p>	Julian Saunders & Martyn Cassell	<ul style="list-style-type: none"> <li>- Climate &amp; ecology emergency Member / officer steering group established</li> <li>- Annual report to Council to monitor progress               <ul style="list-style-type: none"> <li>- Corporate Action Plan being delivered</li> </ul> </li> <li>- Annual revision of action plan including focus on top 10 actions</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>- Swale House refurbishment will be completed</li> <li>- Environmental gains factored into major contracts (e.g. GM, and Waste and Street Cleansing)</li> <li>- Key environmental policies remain in draft (new local plan)</li> </ul>	3	3	9



Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating			Controls planned	Mitigated rating		
			Impact	L'hood	Grade		Impact	L'hood	Grade
<p><b>Swale House Refurbishment</b> As a result of cost uncertainties in the construction market the refurbishment of Swale House does not support 'new ways of working'.</p>	Monique Bonney & Emma Wiggins, Joanne Johnson	<ul style="list-style-type: none"> <li>- New ways of working (NWOW) steering group in place to support physical and cultural changes</li> <li>- Participation in Climate &amp; Ecological Emergency group</li> <li>- Consultant (Quartz) in place to provide advice to project team</li> <li>- Cabinet agreement to award the contract March 2022. Work to start from late spring</li> <li>- Contract in place to govern the works</li> </ul>	3	3	9	- Regular contractor meetings to monitor delivery	2	2	4
<p><b>Focus on established priorities</b> 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.</p>	Mike Baldock & Larissa Reed	<ul style="list-style-type: none"> <li>- Agreed corporate plan priorities which have been prioritised and are being monitored through Pentana</li> <li>- Service planning process for 2022/23 designed to relate activity more explicitly to resources and priorities</li> <li>- Regular one-to-one meetings between cabinet members, deputies and heads of service and regular Cabinet meetings on progress of priorities <ul style="list-style-type: none"> <li>- Robust budget-setting process</li> <li>- Single CLT member identified to monitor/coordinate cross-cutting work on each corporate-plan objective</li> </ul> </li> <li>- Directors have overall responsibility for the delivery of the priorities</li> <li>- Annual report process to be focused on corporate-plan objectives</li> <li>- Business cases prepared to link projects to priorities &amp; corporate plan</li> </ul>	3	3	9	- An LGA Peer Review happened in September 2021 on Recovery – progress against delivery of actions is monitored every 6 weeks	3	2	6

Risk (title / full description)	Risk Owner	Key Existing Controls	Current rating			Controls planned	Mitigated rating		
			Impact	L'hood	Grade		Impact	L'hood	Grade
<p><b>Funding Capital Spend</b> 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.</p>	Mike Baldock & Lisa Fillery	<ul style="list-style-type: none"> <li>- Revenue implications of capital explicitly funded through revenue budget</li> <li>- Liaison with commercial tenants</li> <li>- All capital projects to have business case agreed by Committee</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>- Capital schemes may generate new revenue income streams</li> <li>- Generation of capital receipts through selling assets</li> <li>- North Kent Pooled Business rate fund to meet capital costs</li> <li>- Work more closely with commercial tenants</li> <li>- Consultant working on the Rainbow Homes business case and reviewing costs</li> </ul>	3	2	6
<p><b>Major Contractor Failure or Decline</b> Contractor financial difficulties in general or impacts from economic/market factors 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.</p>	Mike Baldock, Julian Saunders & Martyn Cassell	<ul style="list-style-type: none"> <li>- Robust tender process</li> <li>- Contracts in place and regularly monitored</li> <li>- Annual reconciliation of invoices paid to contractors</li> <li>- Regular dialogue with contractors and use of performance mechanisms</li> <li>- Awareness of industry developments and best practice</li> <li>- Routine financial checks</li> <li>- Discussions with contractors around the impact of COVID-19 / other external issues</li> <li>- Supporting contractors to undertake new initiatives to resolve problems</li> </ul>	3	2	6		3	2	6
<p>As a result of the introduction of the committee structure <b>members / officers initially struggle to adapt to new governance arrangements</b>, leading to potential reduction in performance.</p>	Mike Baldock & David Clifford	<ul style="list-style-type: none"> <li>- Member briefings</li> <li>- Officer training on informal mechanisms for decision making and presenting to committees</li> <li>- Training for current Cabinet Members</li> <li>- Legally compliant Constitution</li> <li>- Member constitution working group continues to meet regularly</li> <li>- Robust mechanisms including pre-committee meetings and forward decision plans for sighting decision-makers on reports</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>- Ongoing ability to tweak the Constitution as it beds in</li> </ul>	2	3	6

## APPENDIX Ia

## Definitions for Impact and Likelihood

The overall risk score is comprised of impact and likelihood. So that we achieve a more consistent understanding when assessing risks, the following definitions are used to inform the assessment of risks.

### RISK IMPACT

Level	Service	Reputation	Wellbeing	Legal/Compliance	Financial	Strategic Objectives
<b>Catastrophic (5)</b>	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
<b>Major (4)</b>	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
<b>Moderate (3)</b>	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
<b>Minor (2)</b>	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
<b>Minimal (1)</b>	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
<b>Highly Probable (5)</b>	80% +	Without action is likely to occur; frequent similar occurrences in local government / Council history or anticipated within the next 6 months.
<b>Probable (4)</b>	60% - 80%	Similar occurrences known often in local government / Council history or anticipated within the next 12 months.
<b>Possible (3)</b>	40% - 60%	Similar occurrences experienced in local government / Council history or anticipated within the next 18 months.
<b>Unlikely (2)</b>	20% - 40%	Not unheard-of occurrence in local government / Council history. Anticipated within the next 2 years.
<b>Rare (1)</b>	0% - 20%	Seldom occurs; no recent similar instances in local government / Council history.