Third Quarter Risk Update 2020/21

Corporate Risk Update – January 2021

Introduction

Effective risk management sits at the heart of the Council and is a cornerstone of good governance. The events of the last year has shown how important it is for us to be aware of key risk issues and have mechanisms in place to plan and respond to risks before they materialise. The risk management framework and processes enable us to be aware of risks on the horizon and to understand the severity and likelihood. By understanding our risks, we can better plan and prepare, this in turn, increases our ability to deliver and achieve our ambitions and objectives.

Since November 2020 we have included a more regular update of the corporate risk portfolio as part of the wider financial and performance quarterly monitoring. This enables us to flag risk issues and to keep Members up to date with any changes to the risk profile as they arise. This report includes the most recent updates to the corporate risks and introduces our first initial scan of the horizon for future risk issues. These horizon risks will be drawn down and incorporated into the corporate risk register as we gather more information and undertake more analysis to help inform an overall evaluation. This will also allow us to align our corporate risks to any changes arising from the refresh of the strategic plan, priorities, and recovery.

The Risk Process

Risk management is a continuous process and primarily seeks to identify and understand those things that are uncertain.

The illustration shows how we move through the process from initial risk identification, evaluation and then to response. As we identify new risks and uncertainties, older risks become more familiar and turn into **events**. At this point the impact becomes 'known' and the risk is moved off the register as we manage any consequence as part of our daily business operations and management.

As such, the regular and ongoing monitoring of risks becomes vital in ensuring that our resources are deployed and focussed on the biggest issues which carry the highest level of uncertainty and impact.

We identify risks at across 3 levels, corporate (strategy), operational and projects. All Council services maintain an operational risk register, including Shared Services and these risks are updated, monitored, and reported through Wider and Corporate Leadership Team.

A step by step summary of the process is attached in **Appendix 3B**, along with matrices used to guide our assessment of risk in **Appendix 3C**.

Risk Appetite

Our **risk appetite** guides how much risk we are willing to seek or accept to achieve our objectives. We recognise effective risk management considers not just threats but also opportunities. So, our approach to risk is to seek the right opportunities and, where possible, minimise threats. To achieve our ambitions, we recognise that taking risks and facing risks will be inevitable. Our risk appetite encourages managed risk taking for minor to moderate level risks but seeks to more closely control those risks that come further up the scale.

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. We illustrate our risk tolerance in the matrix below. As we are currently facing significantly challenging times following the pandemic, our tolerance level is set in the **RED** shaded area and above. Risks in and above this area require direct focus and oversight above that of risks within the **AMBER** line and below.

Corporate Risks

The Council's corporate risks are those risks which could impede the achievement of our strategic objectives. The corporate risk register was last reported to Members in **November 2020**.

The matrices below provide a snapshot of the corporate risk profile. Each of the corporate risks has been plotted on the matrix based on the score of likelihood and impact. The number of risks in each square of the matrix is set out in white. Scores are based on the **current** risk, i.e. the risk impact and likelihood (as defined in **Appendix 3C**) considering any existing controls in place to manage the risk, but **before** any further planned controls are introduced.

As outlined above, this report focusses on those risks that sit on or above the risk tolerance for the Council:

Risk Profile – November 2020

Likelihood	Impact 1	2	3	4	5
5				1	1
4				2	
3			2	6	1
2		1		5	
1					

Risk Profile – January 2021

Likelihood	Impact 1	2	3	4	5
5				1	1
4				2	
3				6	1
2					
1					

Our corporate risks are reported to Corporate Leadership Team on a regular basis to ensure effective oversight. Since the last update in November we have maintained a watching eye on the top risks and updated controls accordingly to reflect any changes.

As the table below illustrates, we continue to bear uncertainty from 11 top scoring risks (those scored in the **RED** or **BLACK**). We have not changed any of the risk scores since November in recognition of the significant uncertainties we continue to face during the pandemic and national lockdown.

Further detail on the corporate risks, including a description of the risk and details of existing and planned key controls can be found in **Appendix 3A**.

| Risk Title	Score before mitigation			
	Jun 20	Nov 20	Jan 21	Movement
Contraction in retail & leisure sectors	25	25	25	-
Financial restrictions	20	20	20	-
Environmental damage	16	16	16	-
Brexit / EU transition	16	16	16	-
Major unforeseen emergency	15	15	15	-
Covid-19: Restrictions to Council operations	20	12	12	-
Covid-19: Community & business recovery		12	12	-
Housing pressures increasing	12	12	12	-
IT security failure	12	12	12	-
Not fulfilling residential property responsibilities	12	12	12	-
Major contractor failure		12	12	-

Since our last update we have transferred the risks falling below the risk tolerance into the operational risk registers. Each of the risks below has been added to the relevant service risk registers and will continue to be reviewed and updated and monitored through the Wider Leadership Team:

Risk Title	Risk Score
Building of incomplete communities	9
Loss of community engagement	9
Major project failure	8
Contract Monitoring	8
Poor partner relationships	8
Governance failures	8
Not fulfilling commercial property responsibilities	8
Insufficient workforce capacity & skills	4

Risk Horizon

Long-term horizon scanning allows us to be aware of key risks which are, as yet, too uncertain to assess or quantify. By keeping our eye on and tracking these issues we are able to draw them down into the corporate risk register when the timing is right.

Having a longer-term view of these risks also enables us to be aware of local, sector-wide, and even global issues. The chart below shows some of issues we are keeping on our radar for potential future inclusion into the corporate risk register:
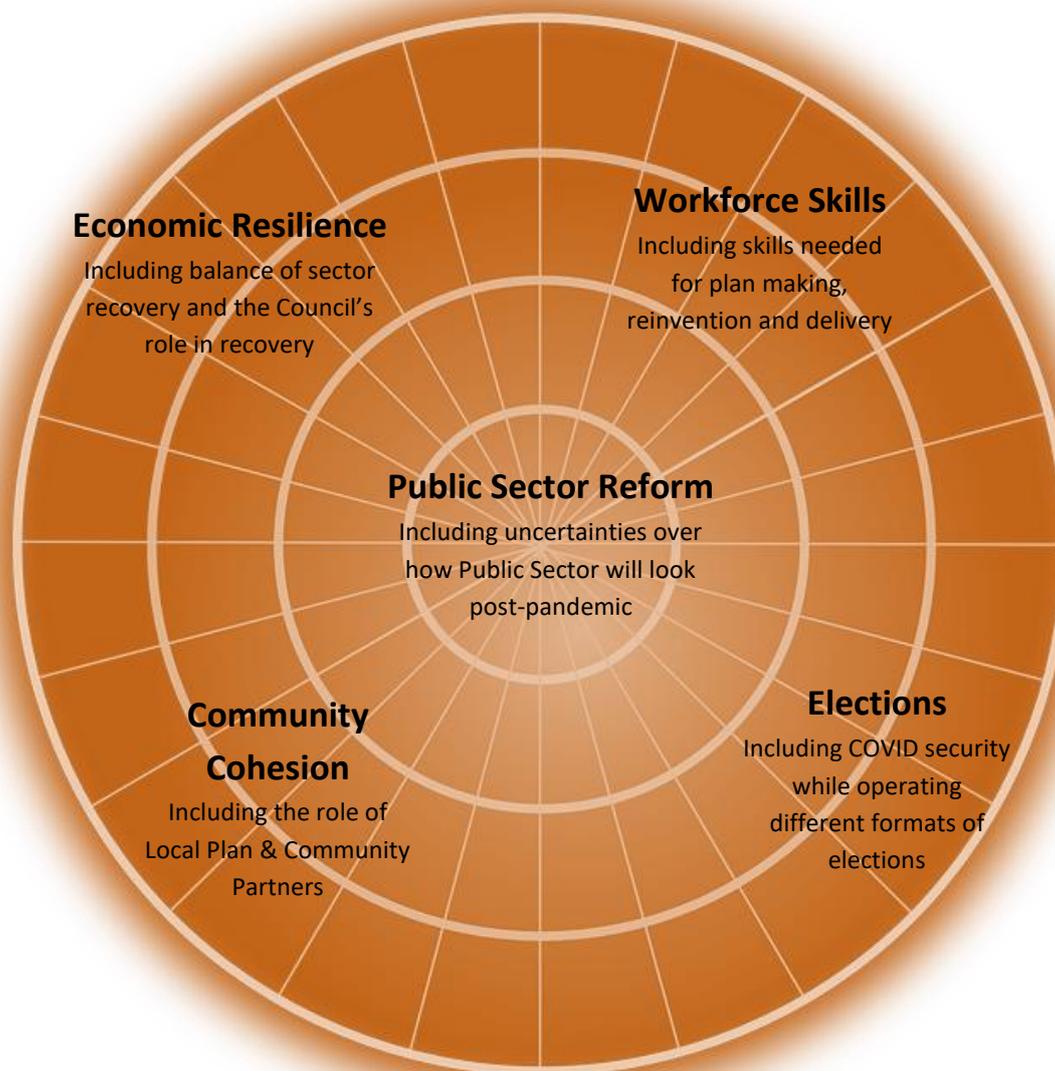
Next Steps

As we review and update the recovery plan and strategic plan, we will undertake further risk work to identify any gaps between our priorities and corporate risks. In addition, we are currently wrapping up work to refresh all of the operational risks across each service, including specific work to identify any risks arising from our new ways of working, working under crisis and resilience risks arising from COVID-19. We will report the outcomes of this work as part of our next quarterly update.

Appendix 3A

Corporate Risks

The table below sets out each of the corporate risks in detail. Risk owners have assessed the impact and likelihood of the risks and identified the key controls and planned actions necessary to further manage the risk to an acceptable level where possible:

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Major unforeseen emergency with national / international impact (e.g. new pandemic, environmental disaster)	Alison Broom	• Strong existing emergency planning framework • Active engagement with Local Resilience Forum • Flexible, committed and appropriately trained workforce • Quarterly oversight & monitoring through the Emergency Planning Group (EPG) • Some financial reserves • Good partnership working as demonstrated during Covid-19 pandemic • Continued update to Business Continuity Plans and arrangements	(5 x 3) 15	• Plan for dealing with different types of major emergencies • Review of the level of financial reserves • Review and update of the Council's IT Disaster Recovery arrangements • Embedding arrangements over the quarterly review of emergency threats and risks through the EPG including horizon scanning and early warnings	(5 x 3) 15
Covid-19: Restrictions impact negatively on our ability to deliver core / statutory services	Alison Broom	• Strong existing business continuity planning arrangements • Emergency response plans have been made Covid secure • Learning from current pandemic has been captured • Member Covid-19 consultative forum established • Risk assessments in place for all Council buildings • Plans in place to enable staff who cannot work from home to work safely in our workplaces/activities including grounds maintenance, street cleansing, museum, and some office activities • Plans in place to enable return to work in our offices safely when appropriate • Flexible / remote working arrangements in place and embedded • Regular internal communications with all staff • Embedded performance monitoring and reporting	(4 x 3) 12	• Build up stocks of appropriate equipment and PPE • Regular review of flexible and remote working arrangements • Ongoing review and development of new ways of working because of Covid-19	(4 x 2) 8

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Covid-19: Inability to support the response and recovery from Covid for the community and local businesses	Alison Broom	• Active engagement with Local Resilience Forum • Member consultative forum on recovery arrangements • Continued engagement with community groups and volunteers • Continuing engagement with local public health officers to ensure rapid response • Support model for residents and businesses is well embedded • Enforcement with respect to non-compliant businesses is in place • Funding has been provided to the Council • Core officer group established for recovery • Joint working with partners through the Inclusion Board & Maidstone Economic Business Partnership • Strategic approach to engagement with voluntary sector agreed by Communities Housing and Environment Committee in November 2020	(4 x 3) 12	• Continued scanning of horizon with respect to changes to legislation, regulations, and guidance • Implementation, development and strengthening of the agreed strategic approach to engagement with community groups • Completion and monitoring of action plan themes for recovery	(4 x 3) 12
Increased effects from climate change or reduction in air quality causes **environmental damage** reducing residents' quality of life and increasing risks from adverse weather events	Angela Woodhouse	• Biodiversity and Climate Change Strategy and action plan in place • Air Quality Action Plan in place (2) Emergency planning arrangements (3) Parks strategy • Budget available to deliver actions • Communication / engagement strategy for adverse weather events • Member of the Kent Climate Change Network • Fixed-term Biodiversity and Climate Change officer in post	(4 x 4) 16	• Review by Carbon Trust towards the Council becoming carbon neutral by 2030 • Implementation of the B&CCS action plan • Review of our own estate in line with ambition to be carbon neutral by 2030 • Seeking to recruit into a permanent Biodiversity and Climate Change officer • Review of governance for delivery and oversight of BD&CC Strategy	(4 x 4) 16

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
General financial downturns, unexpected changes to government funding or failure to achieve income or savings targets places further **financial restrictions** on the Council resulting in difficulty maintaining standards or meeting aims.	Mark Green	• Agreed work programmes in transformation and commissioning • Budget monitoring in place • MTFS in place and monitored • Scenario planning in budget setting • Financial independence strategy to maximise our income • Strategies for maintaining income (e.g. pricing policies and purchase of Lockmeadow) • Commercial investment strategy • Holding reserves to mitigate impact of financial restrictions	(4 x 5) 20	• Currently updating MTFS to reflect impact of Covid-19 and need to support recovery due to go to Policy and Resources in November 2020 • Review of reserves policy as part of MTFS development • Lobbying to avoid unfavourable financial changes to government funding • Cost recovery through bidding for additional government support for one-off costs (e.g. Brexit) • Identifying measures to address future budget gaps	(4 x 4) 12
Security breach or system weakness leading to **IT security failure** results in system unavailability and increased legal and financial liability.	Steve McGinnes	• Regular backup programmes • External testing of IT security by specialists –resulting findings and actions are implemented and tested • ICT policies & staff training, including disaster recovery plan • Mandatory cyber security training was rolled out and completed • CLT monitoring of performance indicators, including ICT incidents • Nessus scanning software reporting daily on system vulnerabilities • New firewall tested and installed	(4 x 3) 12	• Ongoing programme of awareness raising through Cyber events, training, and tests • Ongoing programme of IT campaigns including phishing • IT infrastructure replacement programme being considered to ensure that IT equipment is fit for purpose	(4 x 3) 12

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
The broader housing crisis leads to **housing pressures increasing** on the Council, affecting both costs associated with homelessness and ability to meet wider housing needs in the borough.	William Cornall	• Homelessness prevention team in place with increased resource • Access to our own housing stock to use for temporary accommodation & market rented housing (within Maidstone Property Holdings) • Closer working with private sector & housing associations • Key policies are in place: Temporary Accommodation Strategy • Implementation of Housing Management Team • CHE approval in place for MBC to develop up to 250 affordable homes of its own • We work closely with the voluntary sector and community partners • Home Finders scheme in place and supported through Government funding • Affordable Housing supplementary guidance adopted in Summer 2020	(4 x 3) 12	• Continued progress towards the temporary accommodation acquisition programme funded through the MBC capital programme • Approval secured to provide hostel and 'move on' type TA in the town centre • Purchase of more housebuilder stock off plan. Recent approval to acquire a further 21 units of PRS accommodation	(3 x 3) 9
Insufficient awareness / expertise leads to **not fulfilling residential property responsibilities** resulting in possible health & safety breaches.	William Cornall	• Faithfull Farrell & Timms have been retained as a critical friend to allow the new housing management function to up skill. • West Kent Housing Association (WKHA) engaged to provide an asset management service for the whole MBC residential portfolio. • The whole MBC residential portfolio is now being managed by a single team within Housing & Communities, where previously it was split between Housing & Property. • H&S KPI's are now recorded and reported through an interim software solution, FIXFLO. • The H&S KPI's are reported monthly to Corporate Leadership Team. • Good level of awareness from officers around H&S obligations and compliance	(4 x 3) 12	• A permanent replacement housing management software package has been procured and be implemented early 2021. This will incorporate KPI and management information. This will take over from the previous system, and the interim system (FIXFLO). • Possible due diligence review by Mid Kent Audit to advise on integrity with respect of KPI production and reporting. • Eventual goal of real time reporting in terms of gas safety, via the WKHA contractor. • Review of existing resources and skills underway to support the housing portfolio and management of properties	(3 x 3) 9

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
General and localised economic pressure leads to **contraction in retail & leisure sectors,** limiting the appeal of Maidstone town centre threatening social cohesion and business rates income.	William Cornall	• Working with Key stakeholders including One Maidstone to safely reopen the High Street. • Regular network meetings with town centre retailers • Town Centre strategic advisory board • Public realm improvement work • Supporting One Maidstone Business Improvement District • Acquisition of key property (Royal Mail / Grenada House) • Work commissioned to promote Maidstone as business destination • Planning Guidelines documents have now been approved by SPI for the Five town Centre Opportunity sites • Active management of Lockmeadow to enhance the local economy • Support delivered to the sector through Business Rates grants and assistance grants • Town Centre Opportunity guidance published and actively being used	(5 x 5) 25	• Taking advantage of opportunities to support infrastructure investment • Consider a targeted programme of place promotion campaign activities • Launch of town centre shop fronts improvement grant scheme closer to being made available • Development of a Town Centre action plan to guide the reallocation of land uses within the Town Centre (including retail)	(4 x 5) 20
Failure of a major contractor: One of the Councils contractors goes into liquidation / administration	Mark Green	• Regular contract monitoring and communication with contractors • Procurement expertise made available through the Partnership with Tunbridge Wells • Financial performance and sustainability embedded into the procurement process • Contactor business continuity plans in place • 'Exit plan' included as a requirement in the ITT document for all relevant contracts	(4 x 3) 12	• Ongoing financial performance and resilience checks of our suppliers and contractors • Risk register work being completed for each of the Council's strategic contracts	(4 x 3) 12
Exit of EU on unfavourable terms results in adverse **short-term Brexit / EU transition impacts** disrupting the Council's ability to offer services and increasing liabilities.	Mark Green	• Close working with other members of KRF on the EU transition planning • Regular briefings for officers & members	(4 x 4) 16	• Continued liaison with partners • More frequent updates and communication in the run up to 31.12.20 with Members and Officers • Liaison with local business about the support that could be provided • Refresh business continuity and contingency plans to reflect possible impacts of EU transition, specifically with regards to transport	(3 x 4) 12

Maidstone Risk Management Process: One Page 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**. • **Corporate Leadership Team** monthly monitoring of **black** risks. Quarterly reporting of all high level (**black** and **red**) risks. • 6-monthly reporting to **Wider Leadership Team**. • Risk registers sent quarterly to **directors** and **heads of service**. • 6-monthly monitoring at **Policy & Resources Committee**. • Annual monitoring of process by **Audit, Governance & Standards 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.

Impact & Likelihood Scales

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 £500k	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 £250k	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 £10k	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 £10k	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