

Maidstone Borough Council: Risk Register

Risk Register Summary

1. The process of compiling service risks involved delivering almost twenty service risk workshops to a variety of managers and drawing risk identification from across Heads of Service, unit managers and project managers. We also sought risk information from thirteen corporate projects and drew information from the Corporate Risk Identification workshop facilitated by Grant Thornton in December 2015.
2. The risks identified facing the Council can be broadly summarised into three major themes which together give a picture of the challenges the Council faces over the coming year.

Financial Risks

3. Although the risk workshop took place before the latest Local Government Finance Settlement weakened the Council's position still further it was already clear that the challenging financial climate seen in the sector during this decade featured heavily in risk identification. Among the most prominent risks identified in this general category:

Variations in Business Rates Income (impact 4, likelihood 4)

4. Over the past few years Government has undertaken significant reform of local government finance, one of the key changes of which is a move for local authorities to retain a greater proportion of business rates they collect locally, particularly growth in business rates that would previously have been centrally pooled then redistributed. This gave local authorities access, potentially, to significant additional funds but coming at the same time as reduction in block funding such as the Revenue Support Grant, meant that growing business rates became a much more significant part of the financial plans of individual authorities. At Maidstone, the 2015/16 budget setting paper estimated the financial impact of a loss of business rate growth at £1.1m.
5. The Council recognises its increasing reliance on business rates income and has taken steps to ensure its continuity. These include involvement in the Kent Business Rates Pool which provides some resilience in the event of local fluctuation and monitoring of appeals to consider and incorporate the impact of successful applications on the Council's finances. The change to local government finance arrangements has also provided a renewed incentive to tackle business rates fraud, as acknowledged in the counter fraud plan put forward by the Mid Kent Revenues and Benefits counter fraud team.

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Significant Commercial Failures (impact 5, likelihood 3)

6. The Council's Commercialisation Strategy as originally outlined in July 2014 acknowledged the additional freedoms afforded to Local Authorities and the necessity of diversifying its income streams in anticipation of reduced central funding. Consequently it set out a range of short, medium and long term actions aimed ultimately at creating income streams to generate upwards of £1m per annum to the Council's budget. This involved a number of new ventures and projects, each of which will have their own management structures and risk registers with this 'head' risk considering the risk of material failure within the commercialisation
7. The key controls operating to avoid crystallisation of this risk are also set out in the commercialisation strategy. These include undertaking projects only after considering a commercial business plan and implementing under supervision of Corporate Leadership Team or separate Commercial Projects Development Teams. The Council also has a reserve position to call on in the event of project failure to minimise the immediate impact on budgetary plans.

Shortfall of income through festivals and events (impact 4, likelihood 4)

8. The Council's Destination Management Plan (DMP) adopted in July 2015 set out a vision for borough that incorporated as one of its three principal strands an aim to improve the impact of business and leisure events on the visitor economy. Beyond these broader benefits to the local economy, festivals and events (particularly when using Council assets) bring income directly into the authority with consequent risk that if income targets are not achieved the Council will face greater difficulty in its budgeting.
9. The DMP contains a range of controls and measures to support bringing in manageable events and festivals to the borough. In the short term, these include creation of a shared events diary and surveying parishes to understand the attractions, events and facilities exist in each area. In the longer term the DMP sets out ambitions to develop themed seasons/festivals and develop a customer facing version of the events diary for visitors and businesses.
10. More generally, the changing financial circumstances following the settlement highlight the need for comprehensive and dynamic information on risk. The Council's capacity to take the wrong decision – or delay taking the right decision – is getting smaller all of the time and having full access to accurate and weighted information is crucial for taking the right decisions at the right time.

Risks Reliant on External Organisations

11. Although the Council has broad responsibilities and powers it cannot deliver its strategic objectives alone. The Council relies on a number of other agencies, some directly through established partnership arrangements (such as MKIP) and others more indirectly through having congruent objectives for the area (such as Highways England). Challenging economic circumstances affect these agencies too, though, so the Council needs to hold and maintain a good understanding of its partners' risks and responses so it can factor that within its decision making. Among the most prominent risks identified in this general category:

Housing market failure and increase in homeless approaches (impact 5, likelihood 5)

12. The Council's 2016-20 Housing Strategy has as one of its three priorities preventing homelessness and securing appropriate accommodation for homeless households and supporting vulnerable people. A key component of the action plan to achieve that priority is continued engagement with private sector landlords and tenants both to prevent homelessness but also increase the stock of properties the Council can use to house homeless applicants and so reduce reliance on temporary and bed & breakfast accommodation. However, the number of approaches has continued to rise through 2015/16 placing strain on the Council's resources and the Housing team foresee no short term reduction in demand.
13. The Housing team has worked to enhance its prevention offering in particular during 2015/16 by filling gaps in staffing and seeking further resources. This includes expanding the use of Homefinder Bonds and Assertive Outreach reliefs which accounted for a third of preventions in November and December. In the longer term, the Council as a whole continues to seek expansion of affordable housing options and its range of prevention approaches.

Lack of suitable temporary accommodation options (impact 4, likelihood 4)

14. Coupled with the increase in approaches, the Housing Team have also faced continuing difficulty in finding appropriate and cost effective accommodation for housing applicants. This has meant increasing reliance on a small number of providers, especially in the bed and breakfast market, with total expenditure at year end 2014/15 of £584k against a budget of £135k. The increased expenditure is continuing in 2015/16, with spend hitting more than double the original budget as early as September 2015.

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15. In the short term, the Council is enhancing and promoting its offering to local landlords in an attempt to increase the stock of properties available to house applicants. In the longer term, building on the success of Council owned properties Aylesbury House and Magnolia House, the Council is seeking further properties that it can put to use in managing temporary accommodation need.

Personnel Risks

Recruiting and retaining skilled staff Council wide (impact 4, likelihood 4)

16. As acknowledged in the Council's Workforce Strategy and the Council's mission of *Putting People First* building, retaining and maintaining a skilled and dedicated workforce will be essential to the achievement of strategic objectives.
17. The 'head risk' here, as identified in the Grant Thornton workshop, will be to some extent true of every service at the Council. However, in the course of compiling service risk registers some identified particularly acute issues within their areas. An example here is with Building Control, who identified a risk relating especially to the difficulty in recruiting staff with the requisite professional qualifications something which is common across Kent particularly as private sector demand picks up. For other services the risk is one of continuity, such as in Environmental Enforcement which is facing imminent retirement of key staff. Elsewhere, such as Housing, the risk is one of significant turnover in a small period of time potentially resulting in a loss of knowledge and momentum.
18. The Council is currently running a range of controls to address these risks, including expanding its reach of agency staff to fill short-term gaps and developing succession plans in key departments. Into the longer term the Council, through its Workforce Strategy, is considering its pay, grading and recruitment methods as well as broadening its offering to staff through schemes such as Staff Rewards and Benefits and doing more to identify and retain promising staff through a revised appraisal system.

Overall Risk Map – Including Service & Project Risks

- 20. The full risk register includes a little over 200 separate issues. It is important to note that the risks are not created by this process but identified, so the register provides a single point of insight into the issues being considered and addressed by services and projects across the Council.
- 21. The chart below shows the spread of these risks.

Likelihood	5	0	0	0	1	2
	4	0	1	10	5	0
	3	1	6	37	9	1
	2	1	37	29	34	4
	1	1	4	10	16	4
		1	2	3	4	5
		Impact				

- 22. Total Critical Risks = 3
 Total High Risks = 25
 Total Moderate Risks = 111
 Total Low Risks = 64
 Total Minimal Risks = 6
 Total Risks Identified = 209
- 23. This spread is, at present, not inconsistent with expectations of a large, diverse organisation such as a local authority. Its real value will be comparative in tracking how the overall risk picture at the Council develops as time moves on. In other words it will provide a picture of how ‘at risk’ the Council is as a whole and in what direction the Council’s risks is travelling en masse.
- 24. In the chart above there are 8 risks scored at 15 or greater. These are the risks discussed in detail above.

Next Steps

Risk Appetite

26. As a basic definition, risk appetite is the amount of risk an organisation is willing to take in pursuit of its objectives. It is therefore, in many ways, central to how an organisation operates and how it decides which decisions to take and when to take them.
27. There is neither set requirement for an articulated risk appetite, nor any particular requirements in local government for such a statement to exist or where it should be pitched. It will vary from organisation to organisation depending on factors such as the external environment, the organisation's culture and the scope of its ambitions.
28. As developing a risk appetite is fundamental to an organisation it is something which should be formulated with proper consideration and gravity. Furthermore if it is to be accepted and useful a risk appetite must genuinely reflect its organisation and so be the product of a consultative process.
29. Formulating a risk appetite is also something that is difficult – and inadvisable – ahead of a full understanding of the risks an organisation faces. Now that a comprehensive risk register exists, the Council ought to look to formally defining and codifying its risk appetite as a means of setting out what risks it will bear (and in what circumstances) and what risks it will look for officers to reduce. This could employ a mix of qualitative and quantitative measures, considering financial impacts, reputational impact and quality and consistency of service delivery.
30. In discussion with Corporate Leadership Team, they have indicated a clear awareness of the benefits of formulating a risk appetite strategy to inform decision making. Indeed, the key challenge of any risk appetite statement is formulating a robust governance and reporting framework that makes that appetite the day to day reality of the Council's decision making.
31. However, this is a process where audit can only maximally play an advisory role. Audit should not and cannot set a risk appetite for an organisation and therefore this paper asks that the Council consider as the next step defining its risk appetite to further embed a mature consideration of risk issues within its decision making.

Risk Process

32. The initial preparation on the register has focussed on raising awareness of risk management as a discipline and MBC's approach in particular as well as identifying risks faced corporately, by services and by projects. What our initial work has not examined specifically is the format and structure of how we retain and use that information as we wanted business need and content to lead form rather than be dictated by form.
33. Having gathered the information we will now consider how best to store, manage and maintain it, which is likely to be by using a dedicated software package (the Council already owns Covalent, which can be used for this purpose).
34. We will also continue to update the register, through a range of approaches including:
 - Ongoing planning discussions with Heads of Service,
 - Integration within service planning
 - Results and findings of audit work
 - Monitoring developments in the sector (such as the recent KPMG publication [Key Risk Management Issues for 2016](#)).
35. One particularly useful way of presenting the information might be to consider specifically which Council objectives are threatened should a risk crystallise (or an opportunity fail to materialise). We are currently exploring ways to present this information in that format to assist management in assessing the key threats and opportunities to Maidstone BC.
36. A further next step is to consider where risk management responsibility should lay within the Council in the longer term. As a short term exercise audit have led the approach, and kept Policy and CLT informed. If the Council wishes to have audit undertake risk management in the longer term, this will have to be recognised within the Audit Charter and approved by Audit, Governance & Standards Committee.
37. On the specific risks, the risk owners will continue to manage the situation and provide updates as part of their ongoing management roles. We will present a further update to Members of Policy and Resource Committee in July 2016, including comparative information on how the risks have developed over the coming six months.
38. For further information on risk management approach please contact Rich Clarke, Head of Audit Partnership. Also please contact audit in the first instance for information on specific risks and their management and we will either obtain information from the risk owner or refer onwards depending on the nature of the query.