

FIRST Quarter Risk Update 2021/22

September 2021

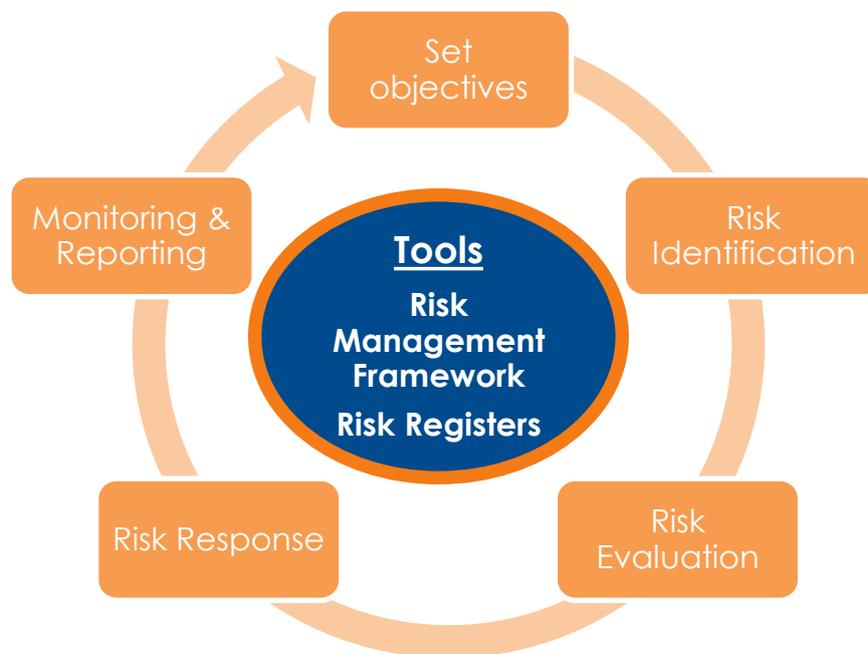
Maidstone Borough Council

Introduction

Risk management is concerned with the **impact of uncertainties on objectives**. Effective risk management is a key principle of corporate governance and its importance is recognised explicitly in our Local Code of Governance, the Annual Governance Statement, Internal Audit Charter and through the Risk Management Framework. By being aware of risks, and actively seeking to manage risks to acceptable levels, we are more likely to achieve objectives, safeguard our resources and be better prepared in the event of major uncertainty.

The risk management framework is the guide that sets out how the Council identifies, manages, and monitors risks. This includes the risk appetite statement, which articulates the Council's appetite for and tolerance of risk.

In summary, the risk management process for the Council can be broken down into the following key components:



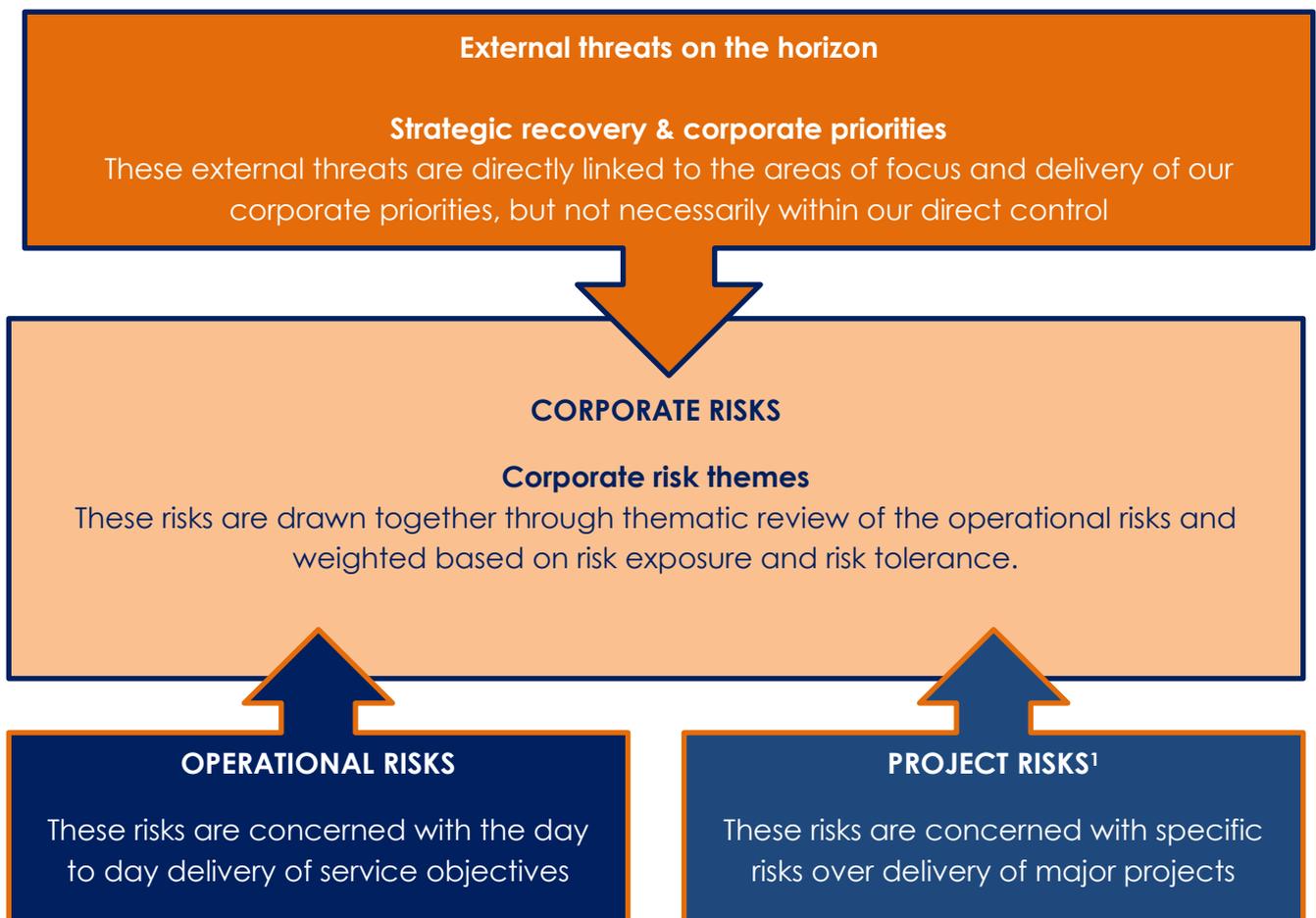
In our last quarterly update, we reported the outcomes and insights from our work to refresh and renew our operational risks. In parallel to this work we have been working with Wider Leadership Team (WLT) to look ahead over the next 12 months and identify future threats and risks to our ambitions and priorities. This work has included seeking to add new risks, from the horizon, onto our corporate risk register, and more clearly understand our internal risk themes arising from our operational risk registers.

In July 2021 WLT (which includes the Chief Executive, Directors, and statutory officers) participated in a corporate risk workshop. This workshop sought to achieve the following:

1. To horizon scan and identify potential risks and threats to the delivery of our corporate priority areas of focus
2. To review and assess the corporate risk themes and individual risks analysed from the operational risk registers

This report provides details of the updates and changes to the corporate and operational risk landscape following the workshop and subsequent review of key risks.

The illustration below shows how the horizon scanning of threats links directly with our corporate and operational risk processes. By taking this approach, the Council moves closer to enterprise risk management, which seeks to better integrate risk management with service delivery, decision making and effective use of resources:



¹ Project and programme risk management is yet to be fully integrated into the risk management framework, but the aim will be for this to be incorporated in the future

Corporate risk profile

Our corporate risks are reported to Corporate Leadership Team on a quarterly basis to ensure effective oversight and monitoring. The highest rated risks are reviewed and updated by risk owners and any related risk actions are followed up. By their very nature, corporate risks have a broader and more strategic impact, as such, they are inherently riskier (and are scored higher as a result).

As the table below summarises the **14** risks on the corporate risk register. 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**.

No	Corporate risk	Severity	Corporate Priority			
1	Contraction in retail & leisure sectors	25				
2	UPDATED: Economic Volatility	20				
3	Environmental damage	16				
4	Major unforeseen emergency	15				
5	Covid-19: Restrictions to Council operations	12				
6	Covid-19: Community & business recovery	12				
7	Housing pressures increasing	12				
8	IT security failure	12				
9	Not fulfilling residential property responsibilities	12				
10	Major contractor failure	12				
-	REMOVED: Brexit / EU transition	16				
11	NEW: Ability to access / leverage new funding	TBC				
12	NEW: Breakdown of relationships with strategic partners	TBC				
13	NEW: Governance changes	TBC				
14	NEW: Resilience of the voluntary & community sector	TBC				

Our Priorities

-  Embracing Growth & Enabling Infrastructure
-  Safe, Clean & Green
-  Homes & Communities
-  Thriving Place

How we rate our risks (see appendix 3B for definitions)

Catastrophic	Major	Moderate	Minor	Minimal

Risk moved off the Corporate risk register

Brexit

Overall economic impacts of Brexit are increasingly difficult to disentangle from other economic threats, as such, rather than having a separate risk for Brexit, we have expanded the previous 'financial restrictions' risk to embrace overall **economic volatility**.

In addition, the risk of ongoing traffic disruption now falls largely into the category of *operational* level risk, and only directly impacts those services likely to be affected (e.g. refuse collection).

New risks to be added

The corporate risk workshop reinforced that the existing corporate risks continue to represent the most severe uncertainties to the achievement of our objectives.

However, there were **4** additional risks that were identified, these are:

1. Uncertainties relating to the Council's ability to **access new funding** available via the Government (including Levelling Up). Securing and leveraging this funding will help to stabilise and support the delivery of our plan for renewal and recovery.
2. Uncertainties relating to the impact of the Pandemic on our **strategic partners**. This includes their own recovery and the impact if they change priorities, commitments or if their capacity to work with us is reduced.
3. The Council is facing significant changes with regards to its **governance**. This includes the forthcoming boundary review, the move to the executive model, and the consideration to move to 4 yearly elections. Change inherently brings uncertainty, and it will be important that we maintain sound systems of control, risk management and legal / regulatory compliance during and after these changes are made.
4. The Pandemic has impacted all sectors, but the increased demands that we have experienced across public sector and the **voluntary and community sectors** is at a scale that we have not seen before. As we recover, there are uncertainties over the resilience and stability of our voluntary and community support networks.

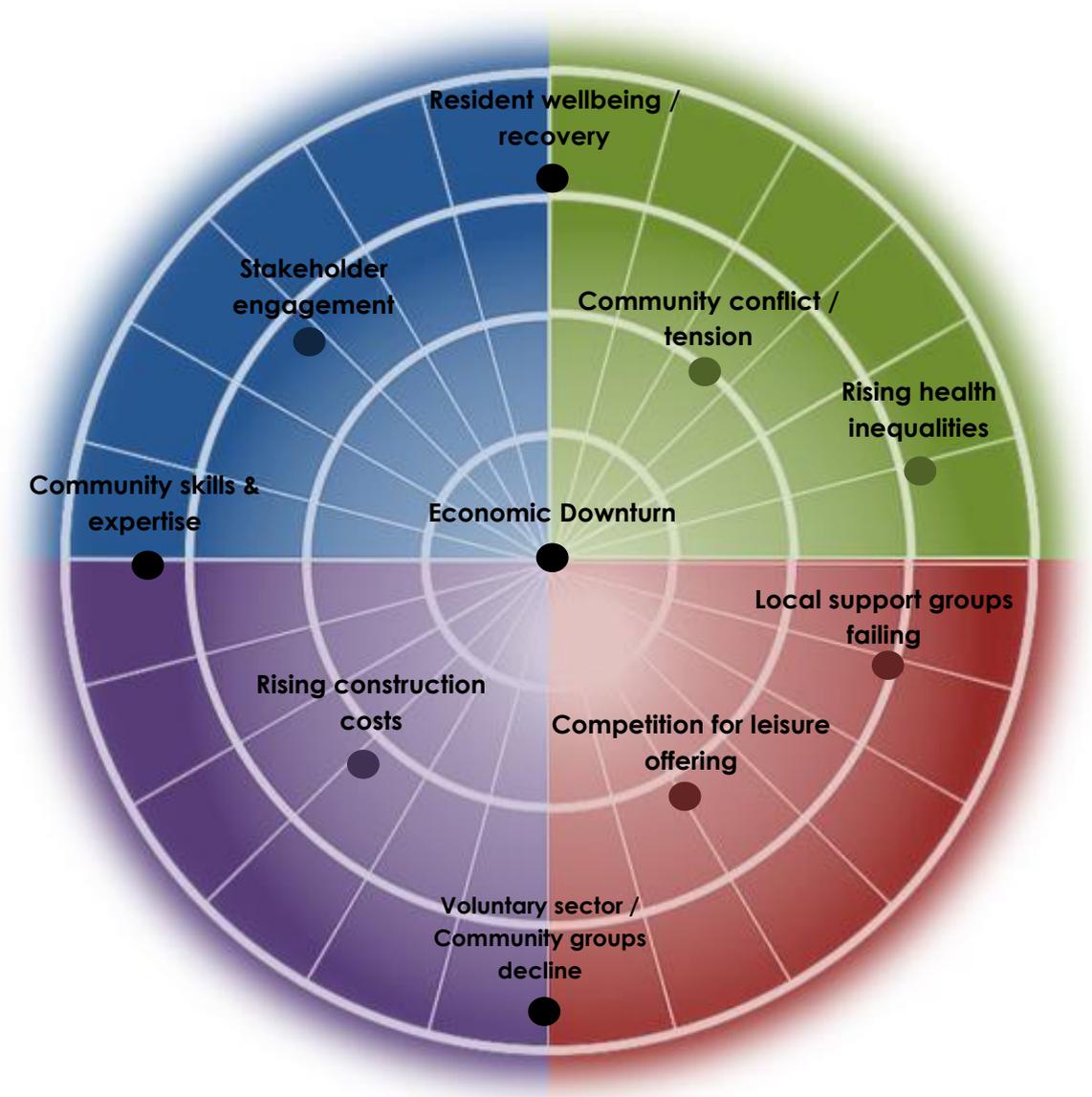
These new risks have been added to the risk register and will be developed with Corporate Leadership Team, assessed, and monitored in the same way as the existing risks. An update on the full assessment of these risks will be reported to the Committee later in the year.

External threats (horizon scanning)

As part of the corporate workshop Wider Leadership Team looked ahead to scan the external environment for threats. These threats were aligned to each of the 4 corporate priorities:

Embracing Growth & Enabling Infrastructure	Safe, Clean & Green	Homes & Communities	Thriving Place
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As external threats, we recognise that we do not have direct control over the uncertainties that we may experience, of the impact on our ability to deliver of our priorities and short-term areas of focus². However, it's important for us to be aware of these threats and how they develop or if they materialise. Our response to these threats will be an important factor in how we develop our strategies, policies and how we translate that into service delivery. As such, we can draw down any of these threats into our corporate risk register if (or when) the time is right. For the time being, we will keep our eye on these threats and continue to provide updates as part of the quarterly monitoring reporting.



² Maidstone Corporate Plan xxx

Operational Risks

All operational risk registers were updated between January and March 2021, the outcomes of which were reported to the Policy and Resources Committee in June. At the last update we reported **31** risks identified as being scored 12 and above. Services review their risks periodically, with a full refresh annually. However, high level risks are reviewed and updated more regularly. This ongoing monitoring is a key part of the risk management cycle.

The table below shows the total number of risks on the Maidstone and Shared Services risk register as at August 2021:

Risk Severity	Total Risks APRIL	Total Risks AUGUST
BLACK	5	1
RED	26	19
AMBER	83	100
GREEN	34	37
BLUE	1	1
PURPLE	1	1
TOTAL	150	158

From the table you can see the following:

- The number of high-level risks has **reduced**, notably, risks in the **BLACK** have reduced to **1**.
- The overall number of risks have **increased** (from 150 to 158), this is because of new risks being added and the addition of a Leisure Services risk register.
- There has been a shift of risks from the **RED** into the **AMBER**.

The table below splits the risk over MBC and Shared Services:

Risk Severity	April 2021	August 2021	April 2021	August 2021
	MBC Inherent	MBC Inherent	MKS Inherent	MKS Inherent
BLACK	2	1	3	0
RED	16	12	10	7
AMBER	58	69	25	31
GREEN	11	11	23	16
BLUE	0	2	1	8
PURPLE	1	1	0	0
TOTAL	88	96	62	62

There is one high level risk with a score of **20** on the risk register. Details are included below. This risk was reviewed by the Head of Service in August 2021. Existing and planned controls were updated however, he felt that the risk could not yet be reduced, but it will continue to be monitored:

Infrastructure Improvements

Service Area: Economic Development	Ownership: John Foster	Score: 14 x L5	20
Risk <i>Infrastructure improvement to road, rail, public transport, cycling and broadband fail to take place due to lack of investment or change to government priorities</i>	Existing Controls <ul style="list-style-type: none"> • Work with KCC on Broadband, Work with KCC, Network Rail, Draft to secure Thameslink services and further improvements • KCC Transport Planner working for and assisting MBC • KCC MBC Strategic working in place to deliver improvements to Loose Road corridor • Ongoing agenda item in RED • Manager supervision and regular 121's 	Risk Response <ul style="list-style-type: none"> • Continue to monitor what will replace the SE Rail franchise • Helen Grant to raise with the Minister the need to safeguard High Speed Services and not to delay further the introduction of Thameslink Services • Dedicated officer will be appointed to deliver the Integrated Transport Strategy, until then, CIL/S106 team and planning policy officers advise 	
Risk review: Nov 2021	Risk direction over time: 	Score: 14 x L3	12

Operational Risk Themes

An added benefit of embedding our risk management approach across the Council is that we can access, interrogate, and analyse all risk information generated. By doing this, we can draw out key insights, share effective strategies to manage risks, and identify any themes from across our various service areas. Below we outline the results of some of this analysis and show the main internal risk themes (by type) along with some examples of the kinds of operational risks that feature prominently in that theme:

Risk Theme	Operational Risks
 <p>Technology Risks relating to our reliance on technology, including cyber security, cyber resilience, and remote working</p>	<ul style="list-style-type: none"> IT Security breach Remote system failure
 <p>Workforce Risks relating to our workforce skills, expertise & talent. Including rewards, retention & recognition</p>	<ul style="list-style-type: none"> Failure to recruit Loss of skills through resignation / market competition Declining health and wellbeing of staff
 <p>Resilience & Capacity Risks relating to the availability of resources and our ability to keep up with increased demands</p>	<ul style="list-style-type: none"> Resource pressures (capacity) Increased service demand
 <p>Finance (income & expenditure) Risks relating to either reduced income (through fees and charges) or increased service expenditure</p>	<ul style="list-style-type: none"> Increased service spending related to the Pandemic Failure to meet income targets
 <p>Legal & Compliance Risks relating to our ability to maintain compliance with procedures & regulations</p>	<ul style="list-style-type: none"> Changes to regulations / legislation Failure to meet service standards
 <p>Third Party Risks relating to contracted services, supply chains or our ability to obtain goods and services</p>	<ul style="list-style-type: none"> Poor / declining performance of contractors / third parties Contractor / supplier going into administration
 <p>Infrastructure & Assets Risks related to physical assets and hardware of the Council. Including loss, failure, and unavailability of assets</p>	<ul style="list-style-type: none"> Failure to deliver projects Equipment & hardware failure

We will be rolling out new risk management software over the Autumn. This software will greatly enhance our ability to draw out and report on key risk insights. We will further develop the work above to identify common operational risks and to share effective mitigation strategies and key controls. The new software will also enable us to more easily access risk history, meaning we can more clearly show the movement of risks over time and see the effectiveness of our responses to manage those risks by taking actions and implementing internal controls.

We will keep Members up to date with the outcomes of the risk software project throughout the year as part of these regular quarterly updates.

Next Steps

In November 2020 the Council adopted a **risk management plan** for 2021/22 which outlined 6 priority areas for the year. This work included refreshing operational risks, corporate risks, and ensuring that processes were implemented to keep risk registers and actions up to date. In addition, the plan included ongoing work to improve risk culture, including exploring the use of risk software to improve efficiency, engagement, and accountability.

We are now about half-way through the plan, with the implementation of our new risk software being a key milestone. To support this rollout, we will be considering how best to raise awareness and enhance risk skills and expertise through a programme of training and development.

We will continue to report progress toward delivery of this plan and the key workstreams throughout the year and include updates as part of our quarterly reporting to Members.

An extract of the plan is attached below:



Appendix 3A

Corporate Risk Register

The table below sets out the current **10** 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)
<p>Major unforeseen emergency with national / international impact (e.g. new pandemic, environmental disaster)</p>	Alison Broom	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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
<p>Covid-19: Restrictions impact negatively on our ability to deliver core / statutory services</p>	Alison Broom	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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)
<p>Covid-19: Inability to support the response and recovery from Covid for the community and local businesses</p>	<p>Alison Broom</p>	<ul style="list-style-type: none"> 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 	<p>(4 x 3) 12</p>	<ul style="list-style-type: none"> 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 	<p>(4 x 3) 12</p>
<p>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</p>	<p>Angela Woodhouse</p>	<ul style="list-style-type: none"> 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 	<p>(4 x 4) 16</p>	<ul style="list-style-type: none"> 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 	<p>(4 x 4) 16</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>General economic volatility, 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.</p>	<p>Mark Green</p>	<ul style="list-style-type: none"> • 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 proactive management of property portfolio) • Holding reserves to mitigate impact of financial restrictions 	<p>(4 x 5) 20</p>	<ul style="list-style-type: none"> • Currently updating MTFS to reflect impact of Covid-19 and need to support recovery due to go to Policy and Resources in November 2021 • Lobbying to avoid unfavourable financial changes to government funding • Cost recovery through bidding for additional government support for one-off costs and major projects • Identifying measures to address future budget gaps 	<p>(4 x 4) 12</p>
<p>Security breach or system weakness leading to IT security failure results in system unavailability and increased legal and financial liability.</p>	<p>Steve McGinnes</p>	<ul style="list-style-type: none"> • 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 	<p>(4 x 3) 12</p>	<ul style="list-style-type: none"> • 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 	<p>(4 x 3) 12</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>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.</p>	<p>William Cornall</p>	<ul style="list-style-type: none"> • 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 	<p>(4 x 3) 12</p>	<ul style="list-style-type: none"> • 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, and this new facility will be ready for occupation in December 2021. 	<p>(3 x 3) 9</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>Insufficient awareness / expertise leads to not fulfilling residential property responsibilities resulting in possible health & safety breaches.</p>	<p>William Cornall</p>	<ul style="list-style-type: none"> 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 Excellent levels of compliance being reported to the CLT monthly. 	<p>(4 x 3) 12</p>	<ul style="list-style-type: none"> A permanent replacement housing management software package has been procured and is now fully implemented. This will incorporate KPI and management information. This has taken 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 	<p>(3 x 3) 9</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>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.</p>	William Cornall	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 Strategy to guide the reallocation of land uses within the Town Centre (including retail). A programme of town centre events and activities is now in place funded through covid response monies. 	(4 x 4) 16
<p>Failure of a major contractor: One of the Council's contractors goes into liquidation / administration</p>	Mark Green	<ul style="list-style-type: none"> 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 Contractor business continuity plans in place 'Exit plan' included as a requirement in the ITT document for all relevant contracts 	(4 x 3) 12	<ul style="list-style-type: none"> 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

Appendix 3B - Impact and Likelihood Definitions

The Risk Management Framework provides guidance on the Councils risk management processes. The framework sets out the definitions of the impact and 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 punishable by imprisonment or significant fines	Uncontrollable financial loss or overspend over £500k	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	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £250k	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	Complaint likely, litigation possible Breaches of regs or standards	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	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend greater than £10k	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		Financial loss or overspend under £10k	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

Council Services
MBC CIL & Section 106
MBC Building Control
MBC Communications
MBC Community & Strategic Partnerships
MBC Customer Services
MBC Democratic & Electoral Services
MBC Development Management
MBC Economic Development
MBC Emergency Planning
MBC Environment & Public Realm
MBC Finance
MBC Housing
NEW MBC Leisure Services
MBC Museum
MBC Parks & Open Spaces
MBC Policy & Information
MBC Procurement
MBC Property & Facilities
MBC Strategic Planning
MBC Transformation & Digital Services
MBC Visitor Economy
MKS Enforcement Services
MKS Audit
MKS Compliance
MKS Environmental Health
MKS HR
MKS ICT
MKS Legal Services
MKS Planning Support
MKS Revenues & Benefits
Parking Services Partnership