

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

15 January 2024

### Report of the Management Team

#### Part 1- Public

#### Matters for Recommendation to Council

#### 1 RISK MANAGEMENT

The report gives the details of the review undertaken by Zurich Risk Management and provides recommendations to both Members and Officers on improvement actions.

The report asks Members to review the Risk Management Strategy and accompanying Risk Management Guidance and to recommend to Cabinet its adoption by Full Council.

The report also provides an update on the risk management process and the Strategic Risk Register.

##### 1.1 Introduction

1.1.1 Following recommendations from both External and Internal Audit reviews the Council asked Zurich Risk Management to carry out a review of the current strategy and strategic risk register models and provide recommendations for improvement.

1.1.2 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.

1.1.3 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.

1.1.4 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

## **1.2 Zurich Risk Management Review**

- 1.2.1 Zurich Risk Management undertook a Risk Management Health Check through review of the Council's current strategy and guidance; plus interviews with members of Corporate Management Team, the Chief Financial Services Officer and the Health and Safety Officer.
- 1.2.2 The executive summary of the report is attached at **[Annex 1]** to this report. The report gives 12 recommendations for improvement. **[Annex 2]** to the report gives the Management Response to these recommendations and Members are asked to consider, review and approve these responses.
- 1.2.3 Officers will provide updates on the progress on the recommendations to this Committee.

## **1.3 Review of the Risk Management Strategy**

- 1.3.1 As part of arrangements in place to ensure risk management maintains a high profile within the Council, the Strategy and accompanying Guidance is subject to annual review and endorsement through the Audit Committee, Cabinet and Council.
- 1.3.2 This latest review of the Risk Management Strategy and the accompanying Risk Management Guidance found that no major changes were required at this time.
- 1.3.3 A copy of the Risk Management Strategy and accompanying Risk Management Guidance is attached at **[Annex 3]** and **[Annex 4]** respectively.

## **1.4 Risk Management Escalation Process**

- 1.4.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 1.4.2 Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk register and discussed at the earliest opportunity within the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Management Team by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of risks discussed at both SMTs and Management Team and the outcome of those discussions.

1.4.3 Similarly risks identified as “Medium Risk” may be escalated to the appropriate SMT for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as “Low Risk” should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the scores risks have been given and confirm whether there are ‘Medium’ or ‘Low’ risks they wish to consider further.

## 1.5 Strategic Risk Register

1.5.1 The Strategic Risk Register (SRR) is considered to be a ‘live’ document and is updated, as often as is required, by the Management Team. An executive summary of the RED risks has been provided at [Annex 5] and a full update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 5a]**.

1.5.2 As part of the Zurich review Officers have reviewed the scoring on all of the risks identified in order to ensure that the scoring reflects the current position of the risk considered.

1.5.3 For completeness the risks categorised as RED at the time of the September meeting is given below.

- 1) Financial position/budget deficit
- 2) Economic Stability
- 3) Savings and Transformation Strategy
- 4) Local Plan
- 5) Organisational Development including recruitment and retention/skills mix
- 6) Homes for Ukraine Scheme
- 7) Implementation of the Agile software system
- 8) Political factors including stability of political leadership and decision making
- 9) Performance Management
- 10) Carbon Neutral 2030 Aspiration

1.5.4 Following the most recent review, there has been downward movement in a number of risk scores this has resulted in a reduction in the number of **RED** risks. The remaining **RED** risks at the time of this report are:

- 1) Savings and Transformation Strategy
- 2) Local Plan
- 3) Implementation of the Agile software system
- 4) Political factors including stability of political leadership and decision making
- 5) Homes for Ukraine Scheme
- 6) Carbon Neutral 2030 Aspiration

1.5.5 However, one further risk has been elevated to **RED**,

- 7) Safeguarding and PREVENT

Safeguarding is a statutory function for the Council which has evolved and expanded significantly over recent years. Without a dedicated resource undertaking regular monitoring, administration and oversight of safeguarding issues, the Council could be at risk of being unable to discharge its safeguarding responsibilities. A further report is due to be presented to General Purposes Committee in the next few months.

1.5.6 Overall, there is a positive direction of travel. From Annex 5a Members will note that only one risk has a negative direction of travel, whilst 7 have a positive direction of travel. Whilst '*Implementation of the 'Agile software system'*' remains a red risk, Members are advised that the scoring has reduced given that part of the system is live.

1.5.7 Members are asked to note the updates in red font since the last iteration of the Register and the movement in the scoring of the risks.

## **1.6 Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

1.6.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of this Committee unless that is there is something that needs to be brought to Members' attention in the interim.

1.6.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in September is appended at **[Annex 6]**.

## **1.7 Risk in Focus Briefing Paper**

- 1.7.1 **[Annex 7]** to this report contains a 'Risk in Focus' Briefing Paper issued to Internal Auditors on risks facing organisations over the forthcoming year. The paper is issued by the Chartered Institute of Internal Auditors and highlights many of the risks that are contained within the Strategic Risk Register.

## **1.8 Legal Implications**

- 1.8.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.
- 1.8.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

## **1.9 Financial and Value for Money Considerations**

- 1.9.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.
- 1.9.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

## **1.10 Risk Assessment**

- 1.10.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.

## **1.11 Equality Impact Assessment**

- 1.11.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.12 Policy Considerations**

- 1.12.1 Risk management is relevant to all areas of the Council's business.

### 1.13 Recommendations

1.13.1 Members are asked to:

- 1) **REVIEW** the Risk Management Health Check and consider and approve the Management response to the recommendations made;
- 2) **REVIEW** the Risk Management Strategy and accompanying Risk Management Guidance and, subject to any amendments required, **RECOMMEND** to Cabinet its adoption by Full Council; and
- 3) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED, as well as the general positive 'direction of travel'.

Background papers:

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Nil

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