

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

23 September 2024

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1 RISK MANAGEMENT

The report provides an update on the risk management process and the Strategic Risk Register. An update is also provided in respect of the Zurich Risk Management Review which was presented to Members in January 2024.

1.1 Introduction

- 1.1.1 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.
- 1.1.2 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.
- 1.1.3 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.
- 1.1.4 The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 20 February 2024.

1.2 Risk Management Escalation Process

- 1.2.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 1.2.2 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.

- 1.2.3 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.

1.3 Strategic Risk Register

- 1.3.1 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 1] 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 1a].
- 1.3.2 For completeness the risks that were categorised as RED at the time of the July meeting of this Committee is given below.
- 1) Achievement of Savings and Transformation Strategy
 - 2) Failure to agree a Local Plan
 - 3) Implementation of the Agile software system
 - 4) Contract/Contractor Procurement
- 1.3.3 As Members were advised at the last meeting, Management Team undertook a review of all the risks contained within the Strategic Risk Register **with a view to achieving a more streamlined version, highlighting only the strategic risks to the Council over the one to two year horizon.**
- 1.3.4 Members will note from the notes in red font on the Register identifying current mitigations and updates to the strategic risks. In terms of '*direction of travel*' there has been no significant movement in the risks.
- 1.3.5 The RED risks at the time of publishing this report continue to be:
- 1) Achievement of Savings and Transformation Strategy

- 2) Failure to agree a Local Plan
- 3) Implementation of the Agile software system
- 4) Contract/Contractor Procurement

1.3.6 If Members wish to seek further detail about any risk, Management Team can arrange for an appropriate 'lead' risk owner to attend a meeting of the Audit Committee.

1.4 Ongoing Risks and Risks Identified by Service Management Teams and Management Team

1.4.1 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.

1.4.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in January is appended at **[Annex 2]**.

1.4.3 Senior officers will be undertaking mandatory training with the Risk Consultant in October. Risk management appears as an agenda item for all Service Management Teams and Corporate Management Team meetings.

1.5 Zurich Risk Management Review

1.5.1 Members might recall that earlier in the year Zurich Risk Management undertook a Risk Management Health Check. Details were reported to the January meeting of this Committee. The report identified 12 recommendations for improvement.

1.5.2 **[Annex 3]** to the report gives an update with progress on addressing these recommendations. The majority of the recommendations had a target implementation date of January 2025.

1.5.3 Management Team has agreed that it is appropriate that the Director of Finance & Transformation should be designated the officer 'Risk Champion'. The Director of Finance and Transformation will chair meetings of a group of officers who have been nominated as risk champions from across all Service areas; and it is the intention that this group will progress and deliver the outstanding recommendations.

1.5.4 In terms of a Member 'Risk Champion', it would seem appropriate for this to fall within the purview of the Chair of the Audit Committee given that it is this Committee which is responsible for overseeing risk management. An alternative option might be the Cabinet Member for Finance & Housing. Members are asked to **RECOMMEND** to Cabinet who should be nominated as the Member Risk Champion.

1.5.5 Officer training of risk management will be undertaken in October. Once this has occurred, a meeting of the Risk Champions will be convened to take forward the remaining recommendations and action points from the Review. A further report will come back to the Audit Committee when it meets in January.

1.6 Legal Implications

1.6.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.

1.6.2 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.

1.7 Financial and Value for Money Considerations

1.7.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.

1.7.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

1.8 Risk Assessment

1.8.1 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.

1.8.2 A specific item for 'Risk Management' appears on all Management Team and Service Management Team agendas.

1.9 Equality Impact Assessment

1.9.1 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.

1.10 Policy Considerations

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

1.11 Recommendations

1.11.1 Members are asked to

- 1) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED;
- 2) **NOTE** the progress towards the delivery of recommendations from the Zurich Risk Management Review;

- 3) **CONSIDER** whether the Chair of this Committee should be recommended as the Member 'Risk Champion'.

Background papers:

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Nil

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