

Audit Committee

13 January 2025

Part 1 - Public

Recommendation to Cabinet – Council Decision



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Cabinet Members	Matt Boughton – Leader Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officers	Management Team
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Risk Management

1 Summary and Purpose of Report

- 1.1 The report of the Management Team 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 initially presented to Members in January 2024.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The identification, evaluation, and cost-effective control of risks is essential in safeguarding the Council's assets, employees and customers and the delivery of services to the local community.
- 2.3 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.

3 Recommendations

- 3.1 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; and
- 3) **NOTE** and **APPROVE** the objective to present an updated Risk Management Strategy to the September meeting of this Committee.

4 Introduction and Background

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 20 February 2024. The strategy would normally be subject to review at this meeting of the committee but will be delayed due to the reasons explained below.

5 Risk Management Escalation Process

- 5.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 5.2 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.

5.3 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.

6 Strategic Risk Register

6.1 The Strategic Risk Register (SRR) is considered to be a 'live' document and is updated, as often as is required, by the Management Team.

6.2 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]**.

6.3 For completeness the risks that were categorised as RED at the time of the September 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
- Contract/Contractor Procurement

6.4 As Members were previously advised, 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. Management Team have assessed that three of the risks – Economic Stability, Homes for Ukraine and Waste/Recycling Income - should be removed from the Strategic Register.

6.5 Notes in red font on the Register identify current mitigations and updates to the strategic risks.

6.6 In terms of 'direction of travel', both performance management and procurement show a positive position. Members will recall these were the two significant weaknesses identified by Grant Thornton, our external auditors.

6.7 No risk has a negative direction of travel.

6.8 The number of RED risks at the time of publishing this report have reduced to three. Members are advised that the risk Contract/Contractor Procurement has been reduced to amber following the successful roll out of training to officers and

the preparation of a new procurement strategy which was approved by Cabinet on 10 December.

6.9 The remaining **RED** risks are:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system.

6.10 At the meeting in September, Members expressed an interest in hearing about the risks associated with failure to deliver a Local Plan. As this is still categorised as a **RED** risk, either the Director of Planning, Housing and Environmental Health or the Head of Planning will be present on-line to answer any questions.

7 Ongoing Service Risks

7.1 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.

7.2 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 2]**.

7.3 Senior officers undertook mandatory training with the Risk Consultant in October 2024. Risk management appears as an agenda item for all Service Management Teams and Corporate Management Team meetings.

8 Risk Management Strategy

8.1 Normally at this time of the municipal year officers would review, update and present to Members the Risk Management Strategy for their review and approval.

8.2 Following the appointment of Risk Champions at both Member and officer levels, an officer Risk Management Group was established with the objective of spreading the workload, and word, on the importance of risk management throughout the authority.

8.3 The Group will be undertaking a review of the Strategy in the forthcoming months and will look to provide an updated strategy to the September meeting of this Committee.

9 Zurich Risk Management Review

- 9.1 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.
- 9.2 **[Annex 3]** to the report gives an update with progress on addressing these recommendations. New comments are tracked in red font.
- 9.3 The majority of the recommendations had a target implementation date of January 2025, however some of these targets will slip into September 2025.

10 Financial and Value for Money Considerations

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

11 Risk Assessment

- 11.1 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.
- 11.2 A specific item for 'Risk Management' appears on all Management Team and Service Management Team agendas.

12 Legal Implications

- 12.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.
- 12.2 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.

13 Cross Cutting Issues

- 13.1 Equalities and Diversity
- 13.1.1 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.

Background Papers	None
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Annexes	Executive Summary – Strategic Risk Register Strategic Risk Register Service Risks Zurich Recommendation
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