

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 26th June 2024

REPORT OF THE ASSISTANT DIRECTOR FINANCE

RISK MANAGEMENT QUARTERLY UPDATE

Purpose

To report on the Risk Management process and progress for Quarter 4 of the 2023/24 financial year.

Recommendations

- **That the Committee endorses the Corporate Risk Register.**
- **That the Committee reviews and reports any training requirements.**

Executive Summary

One of the functions of the Audit & Governance Committee is to monitor the effectiveness of the Authority's strategic risk management arrangements. This report includes the actions taken to manage those risks and raises issues of concern that may impact the authority. Corporate risks are identified, managed, and monitored by the Corporate Management Team (CMT) on a quarterly basis.

A copy of the current Corporate Risk Register is attached, as **Appendix 1**. The control measures contained have been developed to reflect the actions in the 3-year corporate plan. The revised risk control measures will ensure the delivery of the strategic objectives, as detailed in the 2022-25 Corporate Plan, and minimise the risk of strategic drift.

The corporate risk register has been reviewed and current risk scores and notes have been updated by CMT for quarter 4 reporting.

There has been no change to the overall corporate risk profile since quarter 3 (see **Appendix 2** Risk Matrix Summary).

The operational risk champions group met on 8th April 2024, no issues of note were raised to bring to CMT or include in the corporate risk register. The risk champions are reviewing their departments' operational risks, and the current reporting process following feedback from Zurich workshops. CMT have arranged to meet to review and update the corporate risk register for 2024/25 in time for quarter 1 reporting.

Internal Audit Risk Management Report

Internal Audit completed a review of risk management at Tamworth Borough Council as part of the 2023/24 Internal Audit Plan endorsed by the Audit Committee. The report was finalised April 2024, and the overall opinion was that the council have

reasonable controls to support risk management. It was acknowledged that the Council have acted over the past year to improve risk management, from the review of its Risk Management Policy and Risk Management Strategy, to external training for heads of service and risk owners by Zurich Municipal and individual workshops for directorates to review operational risks, however, some staff remained unclear on how local risk registers interacted with corporate risks & there were gaps identified in the quality and completion of service area risk registers.

The main recommendations were as follows:

- Risk management training should be provided to the Audit and Governance Committee to ensure it has the appropriate skills to effectively undertake its role for overseeing and monitoring risks.
Risk management training was provided to all members to attend in December 2023 last year. Further training will be provided in line with overall induction/training requirements for members undertaken on an annual basis.
- Further training should be provided to staff, outlining the roles and responsibilities for risk management and providing support on how to effectively document controls.
Training and workshop sessions with ZM have been provided within the last 12 months. Training needs will be kept under review and further training will be organised if required.
- Each Head of Service should present the local risk register to the Assistant Director responsible for the area quarterly to oversee the implementation of the control measures.
Operational risk recognition and reporting is an area for improvement for 2024/25 and consideration needs to be given to the best approach for each service area to improve how operational risks are recorded, updated, and discussed.

Benchmarking Report

At the request of CMT, Zurich Resilience Solutions (ZRS) were commissioned to provide a desktop review of Tamworth corporate risk register and benchmark/assess the risks with knowledge of the wider sector and similar sized councils. The aim of the report was to provide an outside perspective on the current risk profile based on extensive knowledge of risks and risk management in local authorities and experience with risk management best practice throughout the sector. Some of the recommendations and feedback have already been actioned. The aspects covered in the report are summarised below:

1. Presentation and Format of Register

It was concluded that the Council's risk register includes an acceptable amount of information to understand the threat being faced by the organisation, however feedback provided from the workshops was that Pentana can be difficult to use when capturing and managing risks. This could lead to risk reviews being missed and a lack of updated risk information. Training notes or videos were recommended for the system.

Action: Guidance is available already within Pentana but needs to be reviewed and Risk Owners reminded where it is located.

2. Scope, risk profile and risk themes

A strategic or corporate risk register needs to be concise and dynamic with a maximum of 15 risks or less to ensure greater focus will be given to key areas of risk. Tamworth's corporate register has eight risks, which is a manageable number compared to many other district and borough councils. With a smaller risk register, there is a better chance of providing effective oversight and scrutiny. Consideration needs to be given to the PESTLE review and the Corporate Priority Links which can be included into Pentana to support analysis of the authority's risk profile and serve as thought provoking. A PESTLE analysis studies the key external factors (Political, Economic, Sociological, Technological, Legal and Environmental) that influence an organisation. It was also reported that ambitions such as the 'Future High Street Fund' or 'Gungate Development,' which can be considered as major delivery projects, are not referenced on any of the risks in the register. These may be managed locally by the relevant Directorate, but CMT may wish to include these areas in the Corporate Risk Register for 2024/25.

Action: CMT & Operations Accountant to review and update the Corporate Risk Register for 2024/25 and consider recommendations.

3. Risk Identification and Reporting

Periodic risk identification sessions or 'horizon scanning' such as the workshops completed during Quarter 2 of 2023 are important to ensure the organisation's risk profile remains relevant especially in rapidly changing environments and unprecedented times. Other methods of risk identification such as questionnaires and interviews may also support keeping risks relevant and up to date. Reporting on Corporate Risks to CMT and Audit & Governance is good practice, however a consistent approach is recommended for recording and reporting Operational Risks.

Action: A questionnaire (See Appendix 3) has been produced to support risk owners in reviewing their risks, meetings to be arranged with relevant officers to review corporate and operational risks for 2024/25 reporting and consider feedback & recommendations.

4. Benchmarking and Sector Themes

Considering the uncertainties that lie ahead in the future for the sector, ZM would expect to potentially see more 'red' risks on the register. Risk assessments are currently subjective to the risk owner's judgement which may not give the most accurate idea of the severity of impacts at a strategic level. The assessment of risks (scoring) should be known with clear impact/probably criteria giving the score an organisational objective view of severity. This is currently underway with the development of the risk categories within the risk management framework.

Action: ZRS have suggested some risks under this heading of the report that CMT will consider for the Council's risk register when updating it for 2024/25. Risk scoring to be reviewed for 2024/25.

Global Risk Report Summary from Zurich Municipal

The Global Risk Report for 2024, developed by the World Economic Forum has been produced, which captures insights from nearly 1,500 global experts. The report analyses global risks through three-time frames to support decision-makers in balancing current crises and longer-term priorities. As we enter 2024, 2023-2024 GRPS results highlight a predominantly negative outlook for the world over the next two years (84% respondents are concerned) that is expected to worsen over the next decade (92% are pessimistic).

Environmental risks continue to dominate the risks landscape over all three-time frames. Two-thirds of GRPS respondents rank Extreme Weather as the top risk most likely to present a material crisis on a global scale in 2024 with the warming phase of the El Niño-Southern Oscillation (ENSO) cycle projected to intensify and persist until May this year. It is also seen as the second-most severe risk over the two-year time frame.

Emerging as the most severe global risk anticipated over the next two years (and 5th most impactful risk over ten years) foreign and domestic actors alike will leverage Misinformation and Disinformation, further widening societal and political divides. With 3 billion people heading to electoral polls in 2024, the widespread use of misinformation and disinformation, and tools to disseminate it, may undermine the real and perceived legitimacy of newly elected governments. Recent technological advances, such as generative AI, have enhanced the volume, reach and efficacy of falsified information, The longer-term erosion of democratic processes compounded by unrest ranging from violent protests and hate crimes to civil confrontation and terrorism.

The Cost-of-living crisis remains a major concern in the outlook for 2024. The economic risks of Inflation and Economic downturn are also notable new entrants to the top 10 risk rankings over the two-year period. Although a “softer landing” appears to be prevailing for now, the near-term outlook remains highly uncertain. Economic uncertainty will weigh heavily across most markets, but capital will be the costliest for the most vulnerable countries. Climate-vulnerable or conflict-prone countries may be increasingly locked out of much-needed digital and physical infrastructure, trade and green investments and related economic opportunities.

Similarly, the convergence of technological advances and geopolitical dynamics could also create a new set of winners and losers across advanced and developing economies alike. Vulnerable countries and communities could be left further behind, digitally isolated from turbocharged AI breakthroughs impacting economic productivity, finance, climate, education and healthcare, as well as related job creation.

Over the longer-term, continued human development is at risk. Economic, environmental and technological trends could entrench existing challenges around labour and social mobility, blocking individuals from income and skilling opportunities, and therefore the ability to improve economic status.

Simmering geopolitical tensions combined with technology will drive new security risks. As both a product and driver of state fragility, Interstate armed conflict is a new entrant into the top risk rankings over the two-year horizon. This becomes an even more worrying risk when considered in the context of recent technological advances.

The next decade will be characterised by intense volatility, as we transition through geopolitical, climate, demographic and technological shifts. Cooperation will come under pressure. However there remain key opportunities for action that can be taken locally or internationally, individually or collaboratively – that can significantly reduce the impact of global risks. Localised strategies can reduce the impact of those inevitable risks that we can prepare for, and both the public and private sector can play a key role to extend these benefits to all.

The full report can be accessed from the link below:

[*WEF The Global Risks Report 2024.pdf \(weforum.org\)](https://www.weforum.org/reports/WEF-The-Global-Risks-Report-2024)

A summary of the current, short-term, and long-term risks can be seen in Appendix 4 and will need to be considered when reviewing the Corporate Risk Register for 2024/25.

Options Considered

None.

Resource Implications

None.

Legal / Risk Implications

There are no direct legal implications from this report but failure to manage strategic risks could lead to issues in delivering strategic priorities.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

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LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 Corporate Risk Register Qtr. 4

Appendix 2 Risk Matrix Summary

Appendix 3 Risk Questionnaire

Appendix 4 Summary of current, short-term & long-term risks