

AUDIT COMMITTEE

24 JUNE 2021

MANAGING RISK WITHIN OUR LOCAL AUTHORITY TRADING COMPANIES (LATCOS)

Report from: Phil Watts, Chief Finance Officer
Author: Anna Marie Lawrence Head of Corporate Performance and
Business Intelligence

Summary

This report provides assurance to the Committee on how risk is managed between the Council and its Local Authority Trading Companies (LATCOs); Medway Development Company (MDC) and Kyndi.

1. Budget and policy framework
 - 1.1. Good corporate governance requires that local authorities identify all their significant strategic and operational risks and put effective risk management and internal control systems in place.
 - 1.2. In line with its terms of reference, the Audit Committee is responsible for providing independent assurance on the adequacy of the risk management framework and the associated control environment, including consideration of the Council's approach to risk management.
 - 1.3. The Cabinet is responsible for ensuring the effective operation of risk management in the Council.
2. Background
 - 2.1. Following a discussion about the Risk Strategy at the 5 January 2021 Audit Committee meeting, the Chairman advised the Committee on 18 March that the Chief Finance Officer would submit a report to the June meeting of the Committee in respect of managing risks associated with the Council's LATCOs.
 - 2.2. The Committee is reminded that whilst it is delegated to Audit Committee to approve the Risk Management Strategy and seek assurance that a robust framework is in place for the Council to manage risk, it is for Cabinet to regularly review the Strategic Risk Register and ensure that individual risks

are managed effectively. Having said that, extracts from the risk registers of both companies are included in the appendices, in order to help provide that assurance.

3. Advice and analysis

3.1 Both MDC and Kyndi (the new name of Medway Commercial Group) follow the Council's approach to risk management based on best practice industry standards including the International Standard in Risk Management – ISO: 31000:2018(E).

3.2 MDC risk review process

- MDC Board meetings happen quarterly where two members of the Council (Cllr Howard Doe and Cllr Adrian Gulvin) and two non-executives are board members.
- At each board meeting all strategic risks are presented along with project risks.
- All risks are discussed monthly at officer project board meetings.
- Risks are included within the Cabinet update reports every six months.

3.3 Kyndi risk review process

- Kyndi Board meetings happen bimonthly (six times a year) where two members of the Council (Cllr Howard Doe and Cllr Rupert Turpin) attend as board members and the Chief Finance Officer attends representing the Council as a client.
- At each board meeting all strategic risks are presented; along with operational risks with an increased risk score that would impact on Kyndi's strategic plan.
- All risks are discussed monthly at Kyndi Senior Management Team meetings.
- Risks are included within the Cabinet update reports every six months.

3.4 Examples of both strategic risk registers are at appendix 1 for information only. The Cabinet is responsible for ensuring the effective operation of risk management in the Council.

3.5 To provide Member assurance when Medway LATCOs are held to account in the future and in line with the Council's Risk Strategy, all risks above the Council's tolerance level of CII (Likelihood Significant and Impact Major) will be presented with treatment actions as part of their reports to Cabinet.

4. Risk management

4.1 Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community.

Risk	Description	Action to avoid or mitigate risk	Risk rating
LATCO business failure	Lack of transparency of accounts, performance, and risk	<p>Governance process are in place to review accounts, performance and risk.</p> <p>Representative from the Council are in attendance at board meetings to scrutinise governance processes.</p> <p>Cabinet receives six monthly update reports.</p>	DIII (Likelihood low; Impact moderate)

5. Consultation

5.1 MDC and Kyndi were consulted when developing this report and are fully aware of this Committee's concerns around risk and will continue to provide risk updates as part of their Cabinet reporting.

6. Financial implications

6.1 There are no financial implications for this report.

7. Legal implications

7.1 There are no legal implications for this report.

8. Recommendations

8.1 The Committee is asked to note the content of this report.

Lead officer contact

Anna Marie Lawrence, Head of Corporate Performance and Business Intelligence, Business Support Directorate, 01634 332406 annamarie.lawrence@medway.gov.uk

Appendices

Appendix 1 – MDC and Kyndi risk registers

Background papers

Medway Council's Risk Strategy 2021/22

Audit Committee minutes 5 January 2021

Cabinet report 2 February 2021 MDC and Kyndi updates

Audit Committee minutes 18 March 2021