

Quarterly Risk Management Update

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Cabinet Member: Cllr M Chilcott, Cabinet Member for Resources and Member
Champion for Risk

Division / Local Member: All

1. Summary/link to the County Plan	
1.1	This is the quarterly risk management report to Audit Committee concerning the strategic risks to the Council.
1.2	The management of risk has a direct link with the County Vision and Business Plan and all the priorities contained within.
2. Issues for consideration	
2.1	Audit Committee members are asked to consider the latest position regarding managing the strategic risks to the council achieving its objectives. Attached is the Strategic Risk Report, Appendix A. Members are also directed to points 2.2 to 2.8 below for information.
2.2	Critical Strategic Risk facing the Council: ORG0043 - “Maintain a sustainable budget” remains as the critical risk to the Council. As at the 11 th September 2018, when this report was submitted, the risk rating remains at the maximum of 25 (5x5 very high). Additional ‘actions’ (mitigation) have been identified to mitigate this risk of overspend throughout 2018/19 from the Financial Imperative Work and are contained in the report to be considered by the Cabinet on 12 September (outcome to be reported at this meeting of the Audit Committee). The intended mitigation is the delivery of another £13m of proposals for change throughout the remaining months of 2018/19. The challenge should not be underestimated, and it has been necessary to set aside a contingency in case of undelivered savings or further revenue spend pressures. The situation remains critical and there is little room for manoeuvre.
2.3	Previous actions taken by the Cabinet and the Senior Leadership Team include the 10-Point Plan, which remains in operation to help reduce the in-year deficit; SLT meeting weekly to review financial projections and the delivery of MTFP savings agreed in February; the development of further in-year savings options. In addition, the Financial Imperative Team are focusing on key lines of enquiry for financial performance.

2.4	There is also a focus on seeking to better understand the drivers of spend in Children’s Services along with producing improved financial monitoring arrangements. Successful control of the budget in this area will underpin a balanced budget overall.
2.5	The Section 151 Officer will continue to provide financial leadership and direction and will present further options and advice to SLT and the Cabinet to help achieve a sustainable budget for 2018/19 and to generate proposals to achieve a balanced budget for 2019/20.
2.6	Audit Committee need to be assured themselves that the Senior Leadership Team and Cabinet will continue to manage the financial position, robustly challenge any overspends, better understand the budgetary requirements in Children’s Services, implement management actions and develop further options, as needed, to bring the overall budget back into balance.

2.7 The heatmap below shows the latest distribution of the 12 identified strategic risks. Direction of priority, since the last update to the Audit Committee in June 2018, is indicated with a directional arrow. Details of mitigations are included in the Strategic Risk Report, appendix ‘A’.

5 Very Likely (1)	0	0	15	20	25 ORG0043
4 Likely (1)	0	0	12	16 ORG0022 ORG0032	20
3 Feasible (9)	0	6 ORG0022	9 ORG0042	12 ORG0032 ORG0002 ORG0007 ORG0010 ORG0024	15 ORG0009 ORG0011 ORG0040
2 Slight (1)	0	0	0	8	10 ORG0001
1 Very Unlikely (0)	0	0	0	4	0
	1 In-significant (0)	2 Minor (0)	3 Significant (1)	4 Major (6)	5 Critical (5)

The two ‘Very High’ (red) risks are:

- **ORG0043 - Maintain sustainable budget** (current score maintained)– score of very high (25 (5x5))
- **ORG0022 – Unintentional events, including changes to our IT system or intentional attempts that damage our systems,**

	<p>property, reputation or one of our other resources (previously low risk - green). With the departure from SCC of the Corporate Director with responsibility for this risk, the new Director covering ICT has raised the current risk score to very high (16(4x4)) based on, "Risks continue with MTFP challenges. Awareness and beginnings of plan in place re continuity".</p> <p>Other changes:</p> <ul style="list-style-type: none"> • ORG0032 Information Governance (previously very high risk) – The risk sponsor has reduced the current score to a medium risk (12 (3x4)) and has entered the comment; "New focus on information governance with improved pathway to director/CEO. Moving [the] service from ICT into customers [and Communities Directorate] will provide more scrutiny, understanding and reaction to events".
	<p>Review of the robustness of actions (mitigations) in place for key areas of risk:</p> <p>A review by the Risk Manager and individual action owners is taking place for the strategic risks in appendix A. As the circumstance around a risk can change over time so should the mitigation that is put in place.</p> <p>There are currently 35 actions recorded across the 12 strategic risks, each being assigned to multiple officers. Each named officer receives an automated email from JCAD informing them that their 'actions' are due to be reviewed, they receive weekly prompts until the task has been completed by themselves. Each member of SLT, where assigned as the risk sponsor, is responsible for sign-off the reviews.</p> <p>SLT is acting to drive improvements in the maintenance of the Risk Register and to ensure that the mitigating actions are undertaken effectively. The review of the Register will be a regular feature of the SLT agenda.</p>
2.9	<p>Review of effectiveness of the risk management arrangements:</p> <p>A review of the SCC risk management framework "Taking Managed & Informed Risk," will take place over the winter of 2018 with a view to sign-off and publication spring 2019. Audit Committee should seek reassurance that the principles around how the Council manages risk remains in-line with national guidance.</p>
<p>3. Background</p>	
3.1	<p>The role of the Audit Committee is to ensure there is an effective process for managing risks across the County Council. This report seeks to provide assurance on risk management processes and management actions being undertaken in accordance with the Council's policies and procedures.</p>
3.2	<p>Effective risk management can have a major impact on the achievement of the objectives, policies and strategies of the authority and relates to all the priorities within the County Plan and the Financial Imperative Work.</p> <p>The aim of risk management is to identify business risks and effectively manage them in line with the County Council's Risk Management framework.</p>

	Audit Committee receives a risk management update of the strategic risks on a quarterly basis. If necessary, Audit Committee can question Cabinet Members and Senior Managers about their risk management actions and controls in order to ensure risks remain well managed.
3.3	Risk Management is integral to the Corporate Governance Framework and supports the Annual Governance Statement. How successful we are in dealing with the risks we face can also have a major impact on the achievement of our corporate priorities and the delivery of services.
3.4	Assurance on the overall risk management process is provided through the Annual Governance Statement and no significant issues were identified for risk management. Nevertheless, there has been an increase in the level and scale of business risk that the Council faces in delivering its priorities and services.
3.5	Strategic Risk Management Group (SRMG) continues to review risk management and the Strategic Risk Register regularly and escalates any increasing risks, where necessary, to the Senior Leadership Team.

4. Consultations undertaken

4.1	Each relevant SLT Director is responsible for reviewing their risks, in many cases in conjunction with the Risk Manager, and assuring themselves that the actions for mitigation are appropriate and delivering the expected outcome, as outlined in the Councils Risk Management Policy.
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5. Implications

5.1	The risk management reporting arrangements ensure that both senior managers and elected members have regular review of key organisational risks on a regular basis. Coupled with the Performance Dashboard reporting, this improves management information and where any urgent management action / resources need to be directed.
5.2	Risk Management is integral to the Corporate Governance Framework and supports the Annual Governance Statement. How successful we are in dealing with the risks we face can also have a major impact on the achievement of our corporate priorities and the delivery of services.
5.3	There is a risk of external challenge around the effectiveness of the decisions made if the Council's risk management process is not seen to be adhered to in these times of change. The risk of "unplanned service failure due to financial turnaround activity" is one of the risks already identified under the FIT programme.

6. Background papers

6.1	1. Council's Risk Management Policy and Strategy
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Note: For sight of individual background papers please contact the report author

RAG Priority Matrix

	Very likely 5	5 Green – Low Risk	10 Green – Low Risk	15 Amber - High Risk	20 Red - Very High	25 Red - Very High
Likelihood (a)	Likely 4	4 Green – Low Risk	8 Green – Low Risk	12 Yellow – High Risk	16 Red - Very High	20 Red - Very High
	Feasible 3	3 Green – Low Risk	6 Green – Low Risk	9 Yellow - Medium Risk	12 Yellow – High Risk	15 Amber – High Risk
	Slight 2	2 Low No action required	4 Green – Low Risk	6 Green – Low Risk	8 Yellow – Medium Risk	10 Amber – High Risk
	Very unlikely 1	1 Low No action required	2 Low No action required	3 Green – Low Risk	4 Yellow – Medium Risk	5 Amber – High Risk
		Insignificant 1	Minor 2	Significant 3	Major 4	Critical 5
		Impact (b)				