

## **Risk Management Update**

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### **Purpose of the Report**

Audit Committee has a role in ensuring that the Council has adequate and robust risk management processes and policies in place.

This report is provided to communicate availability of a revised risk policy, and to inform Audit committee of recent changes to the risk approach. Your review and suggested amendments are welcome.

### **Recommendations**

1. Audit Committee review and comment on the proposed draft policy
2. Audit committee approve changes to the risk approach, as summarised below.
3. Audit Committee make recommendations on the new framework and approach to measure and monitor risks

### **1. Context**

Risk: "The effect of uncertainty on objectives, often described by an event or a change in circumstances"

Risk Management: "Coordinated activities to direct and control an organisation with regard to risk"

Effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation

Strategy and Commissioning has reviewed the overall SSDC approach to risk management, with the objective to ensure it is operating efficiently, effectively and supports the new council approach to achievement of its objectives. This approach is described in detail in the attached **Risk Policy and Toolkit** (this policy is draft pending approval of the new framework and policy content).

This review has involved detailed review and consolidation of the existing risk register (TEN) alongside identification of new risks with input and guidance from SLT/LMT and key officers, to create a risk framework that reflects our new organisational ethos of "One Team".

The review has also enabled a more consistent approach to evaluating, monitoring and escalating risk through clearer definition and use of risk categories, as well as improved clarity on whether risks are strategic, corporate or operational.

## 2. What has stayed the same

### 2.1 Risk Matrix:

- Maintained the current 5X5 matrix and impact and likelihood model to score risks – this is standard, proven practice. This has now been complemented by a clearer explanation of how each category of risk is scored to provide clarity to users.
- Maintained the TEN risk scoring methodology as this generates more meaningful scores, and promotes focus on high impact risks; e.g.
  - Certain likelihood (5) x Minimal Impact (1) = Score 7
  - Remote Likelihood (1) x Catastrophic Impact (5) = Score 17

I M P A C T	Catastrophic	17	22	23	24	25
	Significant	12	18	19	20	21
	Moderate	6	13	14	15	16
	Limited	2	8	9	10	11
	Minimal	1	3	4	5	7
		Remote	Unlikely	Possible	Probable	Certain
		LIKELIHOOD				

### 2.2 Risk appetite:

- Maintained the standard “risk appetite” line for SSDC at Risk Score 16+ as a standard. The function of the appetite line is to trigger additional scrutiny or escalation of risks. However, we should be aware that in certain circumstances the risk appetite may vary. For example specific commercial projects might require a less risk-averse approach, so a system that allows for a degree of local adaptation is desirable.

## 3. What has changed;

### 3.1 Risk Categories:

- Risk categories have been reduced and aligned to current organisational functions, based on input from SWAP and Zurich risk consultants. The use of fewer categories in the risk system will provide more consistency in risk groupings, and allows category specific guidance on scoring should provide more consistent impact scores.

### 3.2 Risk Register Platform:

- It is desirable that risk is described in a consistent way throughout the organisation and that all associated SSDC risk registers and risk matrices (Project risk reports, PID's, Executive reports etc.) align in their structure, scoring methodology and general principles of operation.
- An excel template has been developed which provides a simpler interface for users to input, score and manage risks associated to a specific area of work.
- Maintaining a consistent structure and methodology for all registers will allow for collation, analysis and reporting of risks by category, owner and risk score.

### 3.3 The Framework of Risk Registers:

A new system of risk registers has been developed, which has been described more fully in the risk policy. This can be summarised as:

- **Strategic risk register** which records the significant long term risks facing the authority. These are material risks to the organisation, community or the overarching corporate objectives, and looking at a future impact over 3 to 5 years
- **Category risk registers** which will capture corporate risks as well as provide oversight of all project risks coded to a specific category. Common risks across a number of areas of the organisation that require a consolidated corporate response or action plan.  
Category registers will include:
  - Project / Programme Delivery (PMO)
  - Staffing / Capacity
  - Financial
  - Delivery of Services
  - Governance and Legal
  - Health Safety and Environmental
  - Reputational Risk
- **“Project” risk registers**, developed for projects, initiatives and significant areas of work. A proposal on an initial set of project registers is shown below, however the structure of registers would be flexible and develop over time as required by management.
  - Chard Regeneration
  - Yeovil refresh
  - Wincanton
  - Transport Strategy
  - Housing Strategy
  - Future State
  - Elections
  - Trading Company
  - IAG

### 3.4 Escalation Criteria:

Clearer guidance is provided on when risks should be escalated. Strategy and commissioning will review all risk registers with the relevant owners and develop a joint proposal on when risks should be escalated using the following principles:

- **Criteria to escalate:**
  - On review, despite attempted mitigation, risk remains above appetite
  - Aggregated View on a project e.g. 6 risks on a specific project are above appetite and it is felt additional scrutiny would be of value
  - Degree of discomfort of risk owner: Belief that risk cannot be controlled/contained within its current level: Request for CRL to initiate a review
  - Risk is a significant single Point of Failure for Organisation
  - A risk that impacts on more than 1 area or category or is too unwieldy to manage at the current level
- **Criteria to de-escalate/ remove:**
  - the risk can be controlled / managed at a lower level

- the risk rating decreases significantly
- the risk event will only affect one function / service area / team
- the impact will be limited
- Existing Issue that is already in play (the here and now) / Has become BAU
- Is a risk that in reality is best managed through dynamic risk assessment (“on the job”)

### **3.5 Set up and reporting:**

- Strategy and Commissioning is facilitating risk workshops to generate / review existing risk registers for projects and categories.
  - Strategy and Commissioning will support risk register owners (Project and Category) with the ongoing review of these registers at an appropriate frequency, aligned to existing meeting schedules and pace of change.
  - Strategy and Commissioning will report on the risk profile to SLT and Audit committee on a quarterly basis.
    - Strategic Risk Workshop with joint SLT / LMT in July 2019, then annually.
    - Quarterly review of strategic risk register with SLT
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