

## **Risk Management Update**

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Cabinet Member: Cllr Mandy Chilcott

Division and Local Member: All

### **1. Summary / link to the County Plan**

- 1.1.** The management of risk has a direct link to the Council's Business Plan, the Medium-Term Financial Plan, forms an integral part of the Annual Governance Statement (AGS) and is a major component of the External Auditor's Value for Money Audit. Risk management is an essential component of good corporate governance.
- 1.2.** This report contains the latest information, obtained from our risk management system JCAD for;
  - the Strategic risks including **ORG0043** sustainable budget
  - Update on the current position on the management of Brexit impacts and the newly created strategic risk **ORG0052** for the impacts of the UK leaving the European Union
  - current information relating to the progress of the SWAP partial audit recommendations.
- 1.3.** Audit Committee members need to be assured that the management actions (those work tasks required to mitigate the risk to an acceptable level) and compliance with the review process, are sufficient, in accordance with the current Council's risk management policy.

### **2. Items for consideration**

- 2.1.** The updated risk report for the Councils strategic risks is attached as **Appendix A** along with the most recent commentary for the committee to consider, this includes **ORG0043 - Maintaining a balanced budget for 2019/20**.
- 2.2.** At their meeting on 13<sup>th</sup> August, the Senior Leadership Team (SLT) discussed and identified the new strategic risk **ORG0052 - Significant disruption to services post 31st October when the UK leaves the European Union**. The risk owner is identified as Patrick Flaherty.
- 2.3.** The Internal Audit Partial Recommendations report is attached as **Appendix B**. Further details of the current position concerning these audits can be

found at Point 3.6 below.

### 3. Background

- 3.1.** Strategic risk management is the process of identifying, quantifying, and mitigating any risk that affects or is inherent in an organization's business strategy, strategic objectives, and strategy execution.

The benefits of effective strategic risk management are

1. greater likelihood of achieving strategic objectives;
2. more systematic decision-making leading to better quality decisions;
3. improved allocation of resources.

- 3.2. ORG0043** – Throughout 2018/19 this sustainable budget risk was described as: "Reserves will not be sufficient to manage any in-year overspends for the forthcoming financial year 2018/19. That we don't set a balanced budget for 2019/20. The existing mitigating actions are all now complete, with the development of a more robust MTFP 2019-21

- 3.3.** Moving into 2019/20 this strategic risk was up-dated to reflect the improved and changed risk position in relation to maintaining a balanced budget for 2019/20 and ensuring a sustainable MTFP:  
"There is a risk to the council's long-term sustainability if there are significant in-year service overspends, and or if the council suffers significant loss of funding in future years its ability to prepare a robust and sustainable MTFP for 2020/21 onwards may be impacted"

The review by the Interim Finance Director for the Quarter 1 budget monitoring report for 2019/20 to Cabinet (14 August 2019) confirmed that a balanced budget forecast end of year position was being sustained. Alongside this £6.1m of the corporate contingency remains unallocated and services with forecast overspends, continue to develop and track management action to reduce these. In addition, 98% of savings required in 2019/20 are reported as either on-track or delivered. Monthly reports will continue throughout 2019/20 to ensure timely monitoring and reporting of any variances. The 'current risk score' remains at the level of "very high" (4x4(16)).

- 3.4. Brexit Update:** SLT has agreed a change to SCC's approach to Brexit planning following instructions to local authorities from the Secretary of State for MHCLG. Michele Cusack is SCC's Brexit Lead, supported by a small Brexit Team consisting of Nicola Dawson, Pam Pursley and Andrew Hedges in place from 1<sup>st</sup> September. The role of the Brexit Team includes sharing information and reporting; seeking assurance from services about their preparedness, liaison with key external partners and stakeholders. The Team is working very closely with Regional and District colleagues. Current priorities include preparing a shared Brexit risk assessment with the Districts; organising a Somerset local authorities and health impacts and mitigations

workshop on 11<sup>th</sup> September and developing a communications and engagement strategy.

The Civil Contingencies Unit and the Strategic Risk Manager worked with Strategic Managers earlier this year to identify risks and update Service business continuity plans to insure they are kept up to date. A regular check will be carried out with senior managers to ensure any changes to a services capability are identified and assessed early.

- 3.5.** The current assessment of the risks from a 'No Deal' Brexit as identified in the spring are;

Risk Category	Assessment (March 2019)
Workforce	Low
Supply Chain / contractor	Low
Legal & regulatory	Medium
Finance	Medium
Other / service specific	Medium

- 3.6.** **ORG0052** – the risk is described as “Significant disruption to services post 31st October when the UK leaves the European Union”.

**Cause:** The current uncertainty into the detail of the UK withdrawal agreement may cause disruption to suppliers, increased demands for service, price increases and potential loss of income and with insufficient time to plan mitigation especially where Government guidance is not provided or provided very late.

**Consequence:** Based on the documentation received so far Brexit will result in the loss of EU funding which, if not replaced by Central Government, may pose a risk to the economic and social programmes of the Council and its partners.

Interest rates and exchange rates may be affected by the withdrawal process impacting on the affordability of the Council’s capital programme. Restrictions on the free movement of people could lead to skills gaps in the Council, our partner organisations and local businesses.

The current score is assessed as “medium” (4x3(12)).

- 3.7.** **Appendix B** is the Internal Audits partial recommendations report. This report highlights the progress of individual partial audits through to completion. There are several partial audits that remain open after several years. Audit committee may wish to request the relevant manager attend a future committee to provide assurance that progress is being made that will enable the audit to be finalised.

#### **4. Consultations undertaken**

- 4.1.** Each Strategic Risk is owned by the relevant SLT Director, who are responsible for the 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.

#### **5. Implications**

- 5.1.** How successful we are in dealing with the risks we face can also have a major impact on the achievement of our business outcomes and the delivery of services.