

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.** 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 in accordance with the Council's Management of Risk Policy Pathway (**Appendix B**).
- 1.3.** The Account and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. These arrangements are reviewed annually and reported as part of the Annual Governance Statement (AGS).

2. Items for consideration

- 2.1.** Committee members are asked to familiarise themselves with the Management of Risk Pathway documentation as set out in; **Appendix A Strategy, Appendix B Policy and Appendix C Process**.
- 2.2.** The Councils Recovery and Renewal Board facilitated the recent review of all the strategic risks, outcomes of this review are documented in **Appendix D**

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 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.** The Management of Risk Pathway documentation supports the Council in effective management of risk. The Pathway suite of documents include:

1. Management of Risk Strategy Pathway (**Appendix A**)
2. Management of risk Policy Pathway (**Appendix B**)
3. Management of Risk Process Pathway (**Appendix C**)

The Chief Executive is the owner of the risk management process with responsibility delegated to the Director of Finance/Section 151 officer. The Member Risk Champion is the Cabinet member for Resources.

- 3.3.** The Councils Management of Risk Strategy Pathway (**Appendix A**) was updated to reflect the following changes.

Corporate Direction:

- **Addition:** SLT are required to create a shared understanding of the risk appetite expressed as opportunity and risk, across the Council's functions in delivering its priorities and outcomes. This is to support the Council in effecting change and embracing new opportunities whilst protecting the Council with effective risk analysis. The Risk team will be responsible for supporting SLT, communicating with them to offer expertise and guidance as required.
- **Addition:** SLT to document and prioritize an overall assessment of the range of opportunities and identify the level of risk which is judged to be tolerable, affordable and justifiable to the Council.

Infrastructure:

- **Update:** The Director, Economic and Community Infrastructure Commissioning is the chair of the Strategic Risk Management Group (SRMG). The Strategic Risk Management Group is senior managers who meet to review the risks faced by the Council, to review the risk register and to escalate issues or suggestions for change to SLT.

Resources:

- **Update:** The Director, Economic and Community Infrastructure Commissioning is the chair of the Strategic Risk Management Group (SRMG).
- **Addition:** Individual Directors to identify Risk Champions from business areas (Senior admin/business support officers) who will be tasked with assisting managers with the management and review of risks. The Risk manager will be responsible for communicating with these individuals.
- **Update:** SLT agree that greater collaboration between Strategic Risk Management, Civil and Emergency Planning, performance management and the financial process is required.

- 3.4. Changes to the Management of Risk Policy Pathway (Appendix B)**

The risk policy has been amended to reflect recommendations in the SWAP Internal Audit report published in July 2019; alongside other routine up-dates as set out below:

- Internal Audit (SWAP) recommended a revision to the explanation of the key risk terms:

Terminate, Tolerate, Treat and Transfer. These terms have been explained in the risk Policy in the section Risk Response (**Appendix B**) and in the

Process Pathway (**Appendix C, pages 4, 5 and 7**).

The Management of Risk Policy Pathway includes the 'Three Lines of Defence' model (**page 7**) which is the concept for helping to identify and understand the different contributions various sources of assurance can provide. This has been amended to move the Strategic Risk Management into the "second Line of defence" on the diagram – which emphasises the role that all members of staff within the Council have for risk management.

NOTE: The Three Lines of Defence model, issued by the Institute of Internal Auditors was revised in July (2020). The Three Lines Model clarifies and strengthens the underpinning principles, broadening the scope, and explaining how key organisational roles work together to facilitate strong governance and risk management. This revision will appear in the next update of the Policy and Process Pathway documents.

- **Update:** The risk escalation section (**Appendix B page 11**) has been updated with tables that explain the risk escalation process. The aim is to support staff so that they can recognise where they may need support and where they will need senior leadership sign off.

- **Update:** In terms of risk reporting timescales, (**Appendix B page 15**) the Policy and process of the recording and management of 'Low' (green) risks has been up-dated so that green risks do not need to be entered onto JCAD unless the service feels it is necessary. However, they must still be recorded by the service, but this can be done in the services Commissioning/Service Plan template.

3.5. New: Issue Management is not covered in the suite of Pathway documents (**Appendix C, page 8**). If a risk does indeed materialise then immediate management action needs to be taken to resolve any escalation in additional risk or undesirable impact on the Council. Where appropriate, contingency, containment, crisis, incident and continuity management arrangements should be developed and communicated to support resilience and recovery if risks crystallise. Contact the Civil Contingencies Unit for advice and assistance with Business Continuity Planning.

3.6. Changes to the Management of Risk Process Pathway. Appendix C
The Process Pathway is a refresh of the previous process document.
Additions: The document has added diagrams, screen shots and tables throughout to enhance understanding.

3.7. Risk Reporting (Appendix C page 11). The governance for strategic risk reporting is,

- Strategic Risk Management Group (SRMG) escalate to Governance Board - monthly
- Governance Board - escalation to SLT - quarterly
- SLT - quarterly
- Reporting to Audit Committee - quarterly

4.0 **Strategic Risk Review 2020:**

The Council's Recovery and Renewal Board facilitated the review of the Council's strategic risks. The review asked senior managers to include; any related impacts due to the Covid19 emergency, to identify any new strategic risks and review the current risks that have not been changed. SLT approved all the changes and additions on 6th October. The summary of these changes and additions can be found in **Appendix D** attached.

4.1 **Appendix D**

Table 1. Highlights those risks that have been reviewed including adjustments made to the current score where required.

Table 2. Lists those risks that have been closed to form the new strategic risk Organisational Resilience, ORG0053.

Table 3. Identifies the new strategic risks and the details that still need to be completed by the risk owners.

4.2 Part of the strategic risk review was to consider the creation of a new strategic risk for Organisational Resilience (**ORG0053**) which, was approved by SLT on 6th October. This new risk has seen the consolidation of six existing strategic risks, that have been on the register individually for several years, but collectively contribute to the resilience of the organisation. The individual actions have been moved to the new risk. The risk description states; "Without the minimum level of capacity and resource, the resilience of the organisation is compromised". **Appendix D** identifies those risks that were closed.

4.3 Each Strategic Risk is owned by the relevant SLT Director. Each Director is responsible for reviewing the strategic risks, in many cases in conjunction with the Strategic Risk Manager and assuring themselves that the actions for mitigation are appropriate and delivering the expected outcome.

5 **Consultations undertaken**

5.1 Consultation has been undertaken with;
SRMG, Recovery and Renewal Board, Governance Board and SLT

5.2 Documents attached:
Appendix A – Management of Risk Strategy Pathway
Appendix B – Management of Risk Policy Pathway
Appendix C – Management of risk Process Pathway
Appendix D – Strategic Risk Review

6 **Implications**

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.