

Audit Committee

Committee Date – 30 May 2024

Strategic Risk Report for Somerset Council

Executive Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance

Lead Officer: Alyn Jones, Executive Director, Strategy Workforce & Localities

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Summary / Background

1. Audit Committee is a key component of the Council's governance framework. The purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role to ensure that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
2. 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).
3. The management of risk has a direct link to the Council's 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.
4. This report to Audit Committee reflects on the current position of Somerset Council in its approach to risk management, following the meeting on 28th March 2024 where Members considerations included whether the current approach to risk reporting provides sufficient assurance over risk governance and control for Somerset Council.
5. This report references the current suite of strategic risks as of May 2024. CLT and the Performance, Risk & Budget Board have started a process of reviewing and refreshing the strategic risks for Somerset Council. The output of that work will be a refreshed suite of strategic risks, with allocated owners, risk scores and mitigations. We will update the Audit Committee how that process is progressing and share the refreshed suite of strategic risks with the Committee, once agreed.

Recommendations

6. It is recommended.
 - a) Audit Committee receives a risk deep dive report from an Executive Director each meeting, providing a narrative of their strategic risks and the steps they have taken to mitigate and manage each risk.
 - b) Audit Committee note:
 - The use and approach to risk identification in committee reports, using those reports submitted in March as a snapshot month
 - The changes identified in the committee template
 - the revised Risk Scoring Matrix (RSM) which is attached for information outlining the revision that took place following the CLT workshop. The revised RSM has been signed off by Jason Vaughan, Executive Director Resources & Corporate Services, S151 officer.
 - The current strategic risks for Somerset Council set out in **Appendix Two**
 - The change from JCAD Core® Enterprise Risk Management system to Ideagen Risk Management Solution
 - The refresh of the Strategic Risk register that is underway

Reasons for Recommendations

7. At the last committee there was discussion regarding the reporting of risk via the committee template and the reporting of risks to committee in general.
8. Risk Scoring Matrix (RSM) – The current RSM has been in use since 2019 and has seen the council transition from a County Council into a Unitary Council. The current RSM no longer fits the profile of the risk environment across the council and the attached RSM will be live from 3rd June until end of December 2024 to allow for the changes to management structures throughout the remainder of this year, with further review of the RSM to take place early 2025. **Appendix One**
9. It is noted that three of the current strategic risks have changed since the last report to Audit Committee, changes are outlined in the Strategic Risk update at point 18 below. Directors need to consistently prioritise risk management, establishing the approach for the Council as a whole, recognising that embedding a risk culture is an ongoing process to drive positive behaviours facilitated by the Risk Management Team.
10. **The continued development of Risk Management for Somerset Council** report was presented to the Executive on 8th April 2024 and outlines the steps that Somerset Council has taken and needs to take to establish more robust risk management reporting arrangements and improve the quality of strategic risk management within the Council. **Appendix Three**

Changes in Risk Management Responsibility and Oversight

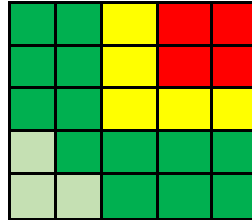
11. In order to facilitate closer alignment between risk and performance, the risk management service has moved to the Strategy and Performance Service Directorate. In addition, we will no longer be using separate systems for risk management and performance management. We will be ceasing to use JCAD for risk management and will use Ideagen for the management of both performance and risk at Somerset Council. The 12-month termination notice period for our JCAD Core licence has been activated.
12. Ideagen is currently used at Somerset Council for managing performance. It was previously successfully used as the risk management system at the former Sedgemoor District Council and Homes in Somerset and was originally developed as a risk management system. However, over time it has been further developed to facilitate a wide range of actions management.
13. We plan a phased migration from JCAD to Ideagen, starting with Strategic Risks, Innovation & Transformation Programme risks and Fraud risks.

Committee templates and reporting of risks

14. The committee template holds several different subject areas that look to give an elected Member assurance that a particular area has been considered in the context of the report. Risk is no different in some respects as the risk section should give Members either an understanding of risks that the report subject matter has identified or should link to an existing risk for the council.
15. In respect of the committee template, the following changes have been identified and submitted for further consideration:
 - a. Risk and financial implications have been split, so that risk is a separate section on its own
 - b. A summary profile has been added at the start of the risk section, so that Members have a visual representation of the risks in the report
 - c. The risks themselves have been broken into
 - i. Existing risks already held
 - ii. New risks
 - d. The new risk's part will be risks identified in the report and scored at inherent level, without mitigation. This has been done this way, as the risk identified may well be mitigated by the determination and agreement to the recommendations in the report.

Template extract

Risk profile summary – overview of the risks by inherent score (identify the number of risks by the risk score)



Existing risks - Please list any existing risks recorded in JCAD including reference number:					
New risks - Please enter the description of the risk(s) identified in this report and then score using the SC Risk Scoring Matrix. Create additional lines for each risk and each assessment.					
Inherent risk score: this the score without mitigation being taking into consideration*					
Likelihood		Impact		Risk Score	

*Please note that dependant on the outcome of this report, for all new risks a full risk assessment will be required.

16. Over the course of the last year risks have been reviewed by the risk managers and service directors. In part this was started to establish the council's service risk registers. The work with service directors has continued and we now meet quarterly in May, August, November and February. As part of the review, we are now including the risks that have been identified in Executive reports to see if the risks need to be considered as additional risks to be added to the register. It is early days, but an opportunity to ensure that risks identified are considered further.
17. At the request of the Audit Committee Chair at the last committee meeting, in discussion around the use of the risk template in committee reports, a snapshot of reports going to various committees has been undertaken. March was used as a month of choice, and all committees and reports where a meeting was held were reviewed. The review can be found at **Appendix Four**, in summary:
 - a. The reports where you would expect risk to be reported, Executive committee, were reported
 - b. Some committee receive reports on a different template, so risks not very prominent in these templates and thus there is the potential to miss some risk, although it could well be picked up through monitoring or some other means
 - c. Some committee receive PowerPoint presentations as updates to work ongoing. In this instance, risks are considered and for some that would be understandable but other there could be opportunity to add risk.

Strategic Risk Update

18. Of the 16 strategic risks currently identified within the risk register.

- a. 8 are red (very high risk)
- b. 4 are amber (high risk)
- c. 4 are yellow (medium risk)

19. There have been three changes to a current risk score,

- **ORG0070 Budget Overspend** has seen a reduction in the 'impact' score from 5 (critical) to 3 (significant).
- **ORG0064 General Housing** saw an increase in likelihood from 4 (Likely) to 5 (very Likely). The risk owner added 5 new controls.
- **ORG0057 Sustainable MTFP** has seen a reduction in the 'impact' score from 5 (critical) to 4 (major). The following updates have enabled the reduction to the scoring.
 - Rebase of the Adults budget
 - Financial Strategy – This is now in place and was agreed by Council in April 2024. It sets out a clear plan with savings targets that shows how the budget for 2025/26 can be balanced
 - Workforce programme – The current Voluntary Redundancy (VR) process will deliver £8m of ongoing savings, consultation on CLT staffing structure has started which will deliver another £1m of staff savings and timelines for the Compulsory Redundancies programme have been outlined
 - Dedicated School Grant (DSG) – That there has been a significant amount of work done to address the on-going in year financial deficit. The last forecast show that by taking the agreed actions we are getting closer to achieving in-year balance in future years
 - DLUHC – they have confirmed that we amend our capitalisation direction request for 2024/25 and increase it if required. We have also seen another council put in a request for 2023/24 as well as 2024/25 in the last week.

20. Work is on-going to identify the new strategic risks for the council. Whilst the Risk Management Team aim to engage with Directors to maintain a register of risks that reflects the current position, it is the responsibility of each director to regularly review and update their risk.

21. For the 8 very high risks, the two risks listed below have incomplete profile information in terms of the risk mitigation in JCAD.

- **ORG0065 - Workforce – inability to recruit and retain staff (20)**
Target date for mitigations required
- **ORG0063 Commercial investments (16)**
Target completion date required

Background Papers

Reference documents used in producing this report.

Appendices

- **Appendix One** - Risk Assessment Matrix (RSM)
- **Appendix Two** – Strategic Risk Report
- **Appendix Three** –The Continued Development of Risk Management, Executive Report
- **Appendix Four** – Committee overview