

**Committee Report**

Committee: Audit Committee

Meeting Date: 12 November 2024

Key Decision: No

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**Report Title: Strategic Risk Report for Somerset Council**

Chair of Committee: Cllr Mike Hewitson

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

Local Member(s) and Division(s) affected: ALL

Executive Director: Alyn Jones, Executive Director, Strategy Workforce &amp; Localities

**Executive Summary**

This report delivers an update on the current set of strategic risks and outlines the revised strategic risks which will be considered by the Executive during their meeting on 2 December 2024.

Additionally, the report details the work undertaken to streamline and refine the Council's risk strategy, policy, and framework documents into a single, cohesive Approach to Managing Risk, along with supporting guidance and tools.

**Recommendations**

Audit Committee are asked to consider the current strategic risks summarised in section 1 and detailed in Appendix 1.

Audit Committee are asked to provide feedback on the proposed revised set of strategic risks summarised in section 2 and detailed in Appendix 2.

Audit Committee are asked to comment on the draft Approach to Risk Management and associated guidance and toolkit summarised in sections 3 and 4 and attached at Appendices 3 and 4 respectively.

**Reasons for Proposals**

As a key component of the Council's governance framework, Audit Committee has a responsibility to provide an independent and high-level focus on the adequacy of risk arrangements, including a duty to monitor the effective development and operation of risk management in the council, and monitor progress in addressing risk-related issues reported to the committee.

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## Main report and supporting information

### Background and purpose of report

#### 1. Current Strategic Risk Update

The current strategic risk register held in JCAD (Appendix 1) contains 15 strategic risks which have been assessed as:

- 8 red (high risk)
- 4 yellow (medium risk)
- 1 green (low risk)

Since the last report to Audit Committee on 29 August 2024, the following changes had been made to individual risks:

- ORG0009 – current score has been increased. The Likelihood has been increased from 3 (feasible) to 4 (likely) resulting in an overall new score of 20 (high).
- ORG0065 – current score reduced from 20 (4x5) to 16 (4x4)
- ORG0079 – current score increased from 15 (3x5) to 20 (4x5)
- ORG0070 – risk has been closed
- ORG0080 – risk has been closed
- ORG0057 – current score increased from 20 (4x5) to 25 (5x5)
- ORG0083 – New strategic risk

#### 2. Revised Strategic Risks

The Corporate Leadership Team (CLT) along with the Performance, Risk & Budget Board have initiated steps to review and update Somerset Council's strategic risks to align them with delivery of the Council Plan as a whole, reflecting Somerset Council's unique context. Over the past few months, these risks have been refined by reviewing industry and sector best practice.

The review process resulted in seven Strategic Risks, each described with its causes, consequences, inherent risk scores, mitigations, link to council priority, and strategic risk owner (see Appendix 2).

The seven Strategic Risk themes are:

1. Climate Change & Environment
2. Financial Sustainability
3. Governance & Accountability
4. Community Wellbeing (safeguarding, demographic challenges, healthy lives, and prevention)
5. Digital, Data, and Technology
6. Service Delivery, Commissioning, and Contracts
7. Social Mobility (Education for All and Skills) and Economic Growth.

The current strategic risks have been mapped to the new draft risks with recommendations to either close the existing risk or amalgamate with the draft new one.

Approval of the new set of strategic risks will be via Performance, Risk and Budget Board (w/c 12 November 2024) and Executive (planned for 2 December 2024).

Once approved the new strategic risks will be uploaded onto Ideagen and a programme of training is being developed for officers who will manage their risks using Ideagen Risk Management. These will take place via MS Teams and will be group sessions although one-to-one training can also be arranged. Sessions will be advertised via Dragons Pen.

### **3. Revised Draft Approach to Managing Risk**

Effective risk management is foundational to our ability to operate successfully and achieve our vision. The Council's new Target Operating Model states, "Our approach to risk management is to be risk-aware, but not overly risk-averse, and to proactively manage our risks to protect our organisation and the people and communities of Somerset". Progress has been made with embedding a risk-aware culture, but there is still work to be done to mature our approach to risk management.

In response to previous Audit Committee and Scrutiny feedback, a process of reviewing and refreshing the Council's approach to managing risk has been undertaken, focussing on getting the basics right and simplifying our risk management arrangements.

The previous risk management strategy, policy and framework documentation has been consolidated into a new draft Approach to Risk Management (see Appendix 3) which covers the golden thread, the risk management cycle, governance and reporting of risk, risk scoring, and roles and expectations.

### **4. Revised Risk Management Guidance and Tool Kit**

To support the Approach to Risk Management, a draft Risk Management Guidance & Toolkit has been developed (see Appendix 4) which outlines the process for all officers who manage risks and mitigating actions.

Step 1: Identifying Risks and Opportunities involves pinpointing potential risks, their origins, and their potential impacts on the organisation and its ability to deliver the vision and priorities, and both negative and positive outcomes. This process is continuous, ongoing, and should be integrated into all decision-making points at all levels across the council. It should also be embedded in key annual activities such as business and service planning, budgeting, and service improvement planning.

Step 2: Risk Analysis (scoring) gives direction on assessing the likelihood and impact a risk could have on the successful completion of a corporate priority. As previously reported the matrix was revised to reflect the change to the tolerance level the council had previously set.

Step 3: Risk Prioritisation builds on the process outlined above but also highlights how the resulting score will also influence the review timeframe for a risk based on the combined likelihood and impact scores.

Step 4: Management of Risk – Risk Responses, Strategies and Mitigation includes the definition of which risk response is possible and whether mitigating actions are

necessary, who should be made aware of the risk and how frequently it should be reviewed.

Step 5: Monitor and Review Risks, talks about the escalation route from Service Manager up to Executive for Strategic and operational level risks. The table Escalation of Risk introduces the concept of High Scoring Operational (red) risks. All risks scoring 16 or more will be via Directorate management meetings and on to the Performance, Risk and Budget Board, who will require assurance that identified actions are being reviewed and are effective in reducing the level of risk.

### **Links to Council Plan and Medium-Term Financial Plan**

Risk management has a direct link to the Council's Plan, interlinked with the Medium-Term Financial Plan, and it is a fundamental part of the Annual Governance Statement (AGS). Additionally, it plays a significant role in the assessment of Value for Money by the External Auditors, underlining its importance for effective corporate governance. The revised strategic risks have been aligned to the Council Plan priorities.

### **Background Papers**

[Part D1 - Audit Committee Terms of Reference.pdf](#)

### **Appendices**

- Appendix 1 – Current Strategic Risks compiled from JCAD (October 2024)
- Appendix 2 – Draft Revised Strategic Risks
- Appendix 3 – Draft Approach to Managing Risks
- Appendix 4 – Draft Risk Management Guidance and Toolkit

### **Report assurance checklist ahead of report publication (for Audit, Executive, Full Council and Scrutiny Committees)**

	<b>Officer Name</b>	<b>Date Completed</b>
Legal & Governance Implications	David Clark	
Finance & Procurement	Maria Christofi / Nicola Hix	
Executive Director	Alyn Jones, Strategy, Workforce and Localities	
Executive Lead Member	Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance	
<b>Consulted:</b>		
Local Division Members	N/A	
Opposition Spokesperson(s)		
Relevant Scrutiny Chair(s)		