

North Somerset Council

Report to the Audit Committee

Date of Meeting: 23 November 2023

Subject of Report: Q2 Risk Management update 2023/24

Town or Parish: ALL

Officer/Member Presenting: Emma Diakou, Head of Business Insight, Policy and Partnerships

Key Decision: NO

Reason: Information item

Recommendations

That the Audit Committee note the Q2 updates to the 2023/24 strategic risk register and escalated risks from the directorate risk registers.

1. Summary of Report

Our Business Planning Framework is designed to monitor progress against our Corporate Plan priorities and against our vision for an **open, fair, green** North Somerset. We do this on an annual basis by developing and implementing Annual Directorate Statements. These are the business plans for the five council directorates (Adults, Children's Services, Corporate Services, Place, and Public Health and Regulatory Services) and give the key strategic commitments for the year ahead. Progress against these commitments is monitored by key projects and their milestones, and by a number of Key Corporate Performance Indicators (KCPIs). Alongside these commitments, and in line with the council's [Risk Management Strategy](#), directorate risk registers are developed and include any risks which might challenge achievement of our priorities. These risk registers, along with the national and regional risk registers, are reviewed to develop an over-arching Strategic Risk Register, where high level risks are escalated and held. Progress on commitments, and against risk registers are reviewed quarterly by Directorate Leadership Team, by Corporate Leadership Team, by Executive Members, by Scrutiny Panels, and the Audit Committee. This is our Integrated Performance and Risk Management Framework.

This paper gives an update on the directorate risk registers and against the Strategic Risk Register as of end Q2.

2. Policy

The Corporate Plan is the council's overarching strategic document. It is the only plan which covers the full range of the council's responsibilities and is an important tool to help focus our effort and resources on the right things. By prioritising a clear set of commitments, the Corporate Plan also helps local people to hold the council to account for its performance and challenge it to improve.

Our Risk Management Strategy supports us to make honest, evidence-based decisions and realise opportunities through a good understanding of risks and their likely impact. The

strategy outlines the process for the development of strategic and directorate risk registers which detail the risks faced by North Somerset Council in relation to achieving our aims and priorities as defined in the Corporate Plan. The strategy also details how the identified risks should be analysed and treated.

3. Details

Our risk management framework is structured in line with best practice guidance from [HM Treasury](#). It includes a cycle of risk identification, risk analysis and control, and risk monitoring and reporting.

- Risk identification: the process to understand the scope of risk across the organisation and where those risks are held.
- Risk analysis and control: the process to understand the type of risks, the severity of them, and how they will be treated.
- Risk monitoring and reporting: the process by which risks are monitored and reported in an integrated, timely and accurate way.



Fig 1.1: risk management cycle

Risks are identified by Directorate Leadership teams (for directorate risk registers) and Corporate Leadership team (for the Strategic Risk Register) on a quarterly basis as part of good business planning.

Once risks have been identified they need to be assessed to understand the likelihood and the impact of the risk, this is an essential part of the risk management framework and is done following a three-step process and using the standard risk management matrix (fig 1.2).

- Step one - inherent risk: This is the first assessment of the risk and is meant to understand the risk if no action is taken to manage it. The risk is scored on the likelihood of it happening and then the impact if it does happen.
- Step two - action: If the first assessment of the inherent risk shows that it is unlikely to happen and/or will have little impact, then there will usually be no need to take any action to manage the risk and it can simply be accepted. However, if the assessment shows it is likely to happen and/or will have an impact then officers should seek to identify if there are actions that can be put in place to mitigate it, or in the case of an opportunity to exploit it (the risk treatment).
- Step three - residual risk: This is the second assessment of the risk and is meant to re-evaluate the risk taking into consideration the effectiveness of any identified actions. Once again, the risk is scored on likelihood and impact. Following this second assessment the risk is either accepted or the activity associated with it ceased (the risk treatment).

Progress against identified risks are reviewed quarterly by Directorate Leadership Team, by Corporate Leadership Team, by Executive Members, by Scrutiny Panels, and the Audit Committee.

Fig 1.2: risk management matrix

	Rare – less than a 5% chance	Unlikely – 6% to 20% chance	Possible – 21% to 50% chance	Likely – 51% to 80% chance	Almost certain – 80% plus
Critical – a major loss to a service including disruption of more than five days with significant impact on staff, a complete failure of project, affecting more than 25% of a budget, litigation/claims/fines of £1m plus, not meeting our legal duties and putting at risk individuals at risk, impacting on several themes in the Climate Emergency Strategy	LOWMED	MEDIUM	HIGH	HIGH	HIGH
High – service disruption of three to five days with high impact on staff, extreme delay to a project, affecting 16% to 25% of a budget, litigation/claims/fines of up to £1m, significant impact for at risk individuals, impact on at least two of the thematic areas in the Climate Emergency Strategy.	LOW	MEDIUM	MEDHIGH	HIGH	HIGH
Medium – service disruption two to three days with some impact on staff, impact on a project a failure of benefits, affecting 6% to 15% of a budget, litigation/claims/fines of up to £500k, there are some safeguarding and duty of care impacts, impacts on at least one of the thematic areas in the Climate Emergency Strategy	LOW	LOWMED	MEDIUM	MEDHIGH	HIGH
Low – minimal service disruption with minimal impact of staff, minimal impact to a project, affecting 1% to 5% of a budget, litigation/claims/fines of up to £250k, consideration to be given to safeguarding and duty of care impacts, minimal impact to the thematic areas in the Climate Emergency Strategy.	LOW	LOWMED	LOWMED	MEDIUM	MEDIUM
Negligible – little service disruption with little impact of staff, minimal impact to a project, affecting up to 1% of a budget, litigation/claims/fines of up to £100k, minimal or no safeguarding and duty of care impacts, not impacting any of the thematic areas in the Climate Emergency Strategy.	LOW	LOW	LOW	LOWMED	LOWMED

Strategic risk register:

The Strategic Risk Register is agreed annually at a risk workshop with members of Corporate Leadership Team and quarterly thereafter. In this workshop a review of the following is undertaken:

- The national risk register:
- The regional risk register from the Local Resilience Forum
- Directorate risk registers
- Medium-term financial plan savings

Any risks agreed from the national risk register are considered PRINCIPAL RISKS given they are likely to have an impact beyond North Somerset borders either regionally or nationally.

To note, following updates to the [national risk register](#), two new principal risks have been added to the Strategic Risk Register.

As of the end of Q2 there were 13 risks in the strategic risk register as follows:

- PRINCIPAL RISK: There is a pandemic event which negatively impacts on the health and wellbeing of the residents of North Somerset.
- PRINCIPAL RISK: There is a malicious attack against people and/or buildings in North Somerset or surrounding areas which is a risk to life and limb.
- PRINCIPAL RISK: There is a disaster event impacting people and/or buildings in North Somerset or surrounding areas which is a risk to life and limb.
- PRINCIPAL RISK: There is coastal flooding in North Somerset which negatively impacts on people, businesses, and communities in North Somerset.
- PRINCIPAL RISK: There is a cyber-attack which damages the infrastructure of North Somerset Council and impacts on the organisation's ability to carry out our statutory duties.
- NEW Q2 PRINCIPAL RISK: Advances in Artificial Intelligence (AI) systems and their capabilities pose a risk.
- NEW Q2 PRINCIPAL RISK: There is a risk of an extended period of high temperatures leading to heatwaves and/or wildfires.
- There is a local risk that the council will fail to meet the 2030 net zero target, and this will contribute to a negative impact on the wellbeing and or/viability of human, animal, and plant health in North Somerset.
- The council is not able to balance its budget due to demand on services and achievement of Medium-term Financial Plan savings.
- The council is unable to deliver capital projects within the approved resource envelope either due to unmanageable cost increases and/or lack of governance.
- The condition of our corporate estate/assets pose an increasing financial, operational, and reputational risk.
- There is a widening of the inequality gap in North Somerset, or we are not able to reduce the current gap, leading to poorer life outcomes for vulnerable residents including life expectancy.
- The council is not able to successfully recruit when needed leading to capacity issues in key areas which impact on the delivery of statutory services, key projects, and/or increases workloads on existing staff.

Of these risks, nine scored HIGH at inherent risk scoring, two scored MEDIUM/HIGH, and two MEDIUM. All were given a risk treatment to MITIGATE. At residual risk scoring level, six scored HIGH, four scored MEDIUM/HIGH, one scored MEDIUM, and two scored LOW/MEDIUM. All were given a final risk treatment to ACCEPT.

Fig 1.3: detail of the Strategic Risk Register as of Q2 with inherent scores, mitigations, and residual scores. Note, risks are sorted by Q2 residual scoring:

Risk ref	Risk	Q1 inherent risk	Q2 residual risk	Inherent direction of travel	Mitigations	Q1 residual risk	Q2 residual risk	Residual direction of travel
SR1	PRINCIPAL RISK: There is a pandemic event which negatively impacts on the health and wellbeing of the residents of North Somerset.	MEDIUM	MEDIUM	STABLE	Continued use of Local Resilience Forum and national guidance and planning processes. Close working with UK Health Security Agency around scenario planning.	LOW MEDIUM	LOW MEDIUM	STABLE
SR2	PRINCIPAL RISK: There is a malicious attack against people and/or buildings in North Somerset or surrounding areas which is a risk to life and limb.	MEDIUM	MEDIUM	STABLE	Continued cross directorate planning around emergencies and crime and disorder work.	LOW MEDIUM	LOW MEDIUM	STABLE
SR3	(NEW Q2) PRINCIPAL RISK: There is a risk of an extended period of high temperatures leading to heatwaves and/or wildfires.	N/A new risk as of Q2	MEDIUM HIGH	N/A new risk as of Q2	Public messaging and community resilience work is underway to manage risk and prevent harm using national guidance and plans.	N/A new risk as of Q2	MEDIUM	N/A new risk as of Q2
SR4	PRINCIPAL RISK: There is a disaster event impacting people and/or buildings in North Somerset or surrounding areas which is a risk to life and limb.	MEDIUM	MEDIUM	STABLE	Risk increases into the winter due to possible severe weather episodes. Strong working with the Local Resilience Forum in planning for response. Review at Corporate Leadership Team of capacity and capability to be carried through during 2023/24.	LOW MEDIUM	MEDIUM	NEGATIVE
SR5	There is a widening of the inequality gap in North Somerset, or we are not able to reduce the current gap, leading to poorer life outcomes for vulnerable residents including life expectancy.	HIGH	HIGH	STABLE	Development of Council wide health inequalities action plan underway built into the Corporate Plan process. Based on role we can play but recognising wider impacts e.g., cost of living crisis and national policy.	MEDIUM HIGH	MEDIUM HIGH	STABLE

Risk ref	Risk	Q1 inherent risk	Q2 residual risk	Inherent direction of travel	Mitigations	Q1 residual risk	Q2 residual risk	Residual direction of travel
SR6	The council is not able to successfully recruit when needed leading to capacity issues in key areas which impact on the delivery of statutory services, key projects, and/or increases workloads on existing staff.	HIGH	HIGH	STABLE	Recruitment team now in place, focus on children's social care.	MEDIUM HIGH	MEDIUM HIGH	STABLE
SR7	(NEW Q2) PRINCIPAL RISK: Advances in Artificial Intelligence (AI) systems and their capabilities pose a risk.	N/A new risk as of Q2	HIGH	N/A new risk as of Q2	The risk is primarily about the impact on data protection of AI and ensuring that AI capability, when introduced into our decision making, is legally compliant and non-discriminatory. A best proactive AI policy document has been drafted for adoption.	N/A new risk as of Q2	MEDIUM HIGH	N/A new risk as of Q2
SR8	There is a local risk that the council will fail to meet the 2030 net zero target, and this will contribute to a negative impact on the wellbeing and or/viability of human, animal and plant health in North Somerset.	HIGH	HIGH	STABLE	Ongoing work to deliver the Climate Emergency Action Plan. Create and adopt path to net zero with clear quantified timelines, resources, and data. Adopt adaptation plan.	HIGH	HIGH	STABLE
SR9	PRINCIPAL RISK: There is coastal flooding in North Somerset which negatively impacts on people, businesses, and communities in North Somerset.	HIGH	HIGH	STABLE	Local Flood Risk Management Strategy has been published. Pilot project with Department for the Environment Food and Rural Affairs being prepared to increase flood awareness in high risk Weston communities. Capital projects being carried out to Victorian sea defences at Clevedon and Weston.	HIGH	HIGH	STABLE
SR10	PRINCIPAL RISK: There is a cyber-attack which damages the infrastructure of North Somerset Council and	HIGH	HIGH	STABLE	Ongoing roll out of cyber training and phishing training across the organisation. Strategic cyber risk sessions held regularly.	HIGH	HIGH	STABLE

Risk ref	Risk	Q1 inherent risk	Q2 residual risk	Inherent direction of travel	Mitigations	Q1 residual risk	Q2 residual risk	Residual direction of travel
	impacts on the organisation's ability to carry out our statutory duties.							
SR11	The council is not able to balance its budget due to demand on services and achievement of Medium-term Financial Plan savings.	HIGH	HIGH	STABLE	Budget monitoring and financial controls in place, risk register and reporting. Consider use of reserves and Medium-term Financial Plan process.	HIGH	HIGH	STABLE
SR12	The council is unable to deliver capital projects within the approved resource envelope either due to unmanageable cost increases and/or lack of governance.	HIGH	HIGH	STABLE	Review of capital budget sponsored by executive, decisions required to prioritise and determine scope (so, ceasing some activity).	HIGH	HIGH	STABLE
SR13	The condition of our corporate estate/assets pose an increasing financial, operational, and reputational risk.	HIGH	HIGH	STABLE	Complete Strategic Assessment Management Plan assessments. Deliver programme of improvements / adaptations / disposals. Prioritise those with greatest health and safety and service delivery risks.	HIGH	HIGH	STABLE

Directorate risk registers:

As per the Risk Management Strategy, all directorate risks that score as HIGH at inherent scoring are escalated for consideration at Corporate Leadership team.

As of end Q2 the following risks were not already represented within the current strategic risks and so discussed for assurance that these risks were being appropriately managed.

- Risk that we do not deliver sustainable change in Children's Services at the right pace of the improvement journey (Children's directorate).
- Risk that there is non-compliance with mandatory training programmes (Corporate Services directorate).
- Risk that we cannot assure ourselves that we are meeting our Health and Safety requirements (Corporate Services directorate).

Commitments

Annual Directorate Statement commitments are rated at the end of each quarter using the following framework:

Fig 1.4: risk management matrix

GREEN	Successful delivery of this commitment is highly likely. There are no major outstanding issues that at this stage appear to threaten delivery
GREEN/AMBER	Successful delivery of this commitment is likely but there are some minor outstanding issues that need to be resolved to ensure delivery.
AMBER	Successful delivery of this commitment appears feasible, but issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly should not present further problems.
AMBER/RED	Successful delivery of this commitment may be unachievable. Issues already exist requiring immediate management attention to ensure delivery.
RED	Successful delivery of this commitment appears to be unachievable. There are major issues which at this stage do not appear to be manageable or resolvable.

All Annual Directorate Statement commitments that were AMBER/RED or RED were reviewed as at end of Q2 to identify if a risk was aligned to them within the strategic and directorate risk registers and if not, to consider whether they should be. This ensures a clear link between the business planning framework and the risk management framework.

As of end Q2, 11 commitments were rated AMBER/RED. 1 commitment was RED. Of these AMBER/RED and RED commitments all were reflected in the strategic and/or directorate risk registers.

4. Consultation

As part of the Business Planning Framework all tier three managers (assistant directors and heads of service) and above contribute to their Annual Directorate Statement and their risk register. These are then agreed by Directorate Leadership teams, Corporate Leadership team and with the relevant Executive members. Annual Directorate Statements are published for all staff to view on the intranet.

The views of residents, staff and other stakeholders all helped to shape the development of the Corporate Plan on which the Annual Directorate Statements and aligned risk registers are based.

5. Financial Implications

The strategic risk register includes the following risk: The council is not able to balance its budget due to demand on services and achievement of Medium-term Financial Plan savings.

6. Legal Powers and Implications

Regular risk reporting is a requirement of robust corporate governance.

7. Climate Change and Environmental Implications

The business planning framework contributes to the council's vision to be open, fair and green. As part of this, all Annual Directorate Statements for 2022/23 include an organisational-wide commitment and associated strategic risk to deliver the Climate Emergency Strategy and action plan. Progress against this is monitored quarterly as part of this Integrated Performance and Risk Management Framework.

The Strategic Risk Register includes the following risk: There is a local risk that the council will fail to meet the 2030 net zero target, and this will contribute to a negative impact on the wellbeing and or/viability of human, animal, and plant health in North Somerset.

8. Risk Management

This report considers risk management across the organisation aligned to the Corporate Plan and Annual Directorate Statements. There would be a negative impact on corporate governance if this information was not provided on a regular basis. The inherent score for this is HIGH. Once mitigating actions are applied (provision of this report) the risk drops to LOW.

Fig 1.5: risk management score

	Inherent risk score (likelihood)	Inherent risk score (impact)	Inherent risk score	Mitigations	Residual risk score (likelihood)	Residual risk score (impact)	Residual risk score
Negative impact on corporate governance if risk information is not provided.	5 (almost certain)	4 (high impact on legal duty to provide robust corporate governance)	HIGH	Information provided on a quarterly basis.	1 (rare)	1 (negligible impact on legal duty to provide robust corporate governance)	LOW

9. Equality Implications

The Integrated Performance and Risk Management Framework includes Key Projects and Key Corporate Performance Indicators. A number of these are equality objectives and reported to the Equalities Group.

Equality implications are also considered throughout the risk management process.

10. Corporate Implications

It is a requirement as part of the Business Planning Framework for all directorates to hold a risk register that is aligned to their business plan and considered at least quarterly by their Directorate Leadership Team. A Strategic Risk Register is held by Corporate Leadership Team and reviewed at least quarterly by Corporate Leadership Team, by Executive members, by Scrutiny Panels and by Audit Committee.

11. Options Considered

Risk registers are a requirement of the Business Planning Framework.

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Background Papers:

- North Somerset Corporate Plan: [Organisational priorities | North Somerset Council \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/organisational-priorities)
- National risk register: [2023 NATIONAL RISK REGISTER NRR.pdf \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/2023_NATIONAL_RISK_REGISTER_NRR.pdf)
- Adults directorate Annual Directorate Statement 2022/23
- Children's directorate Annual Directorate Statement 2022/23
- Corporate Services directorate Annual Directorate Statement 2022/23
- Place directorate Annual Directorate Statement 2022/23
- Public Health and Regulatory Services Annual Directorate Statement 2022/23
- North Somerset Council Risk Management Strategy: [Risk Management Strategy \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/risk-management-strategy)
- Management of Risk - principles and concepts: [The Orange Book – Management of Risk – Principles and Concepts \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/The-Orange-Book-Management-of-Risk-Principles-and-Concepts.pdf)