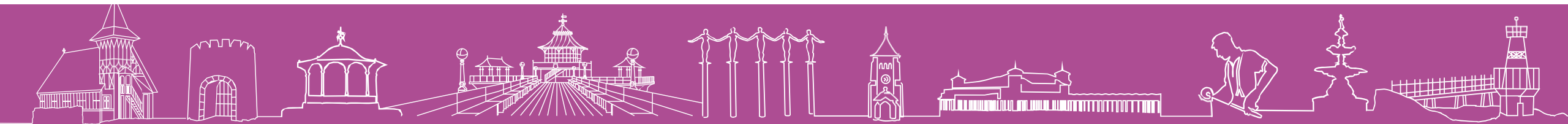


North Somerset Council Risk Management Strategy

April 2024



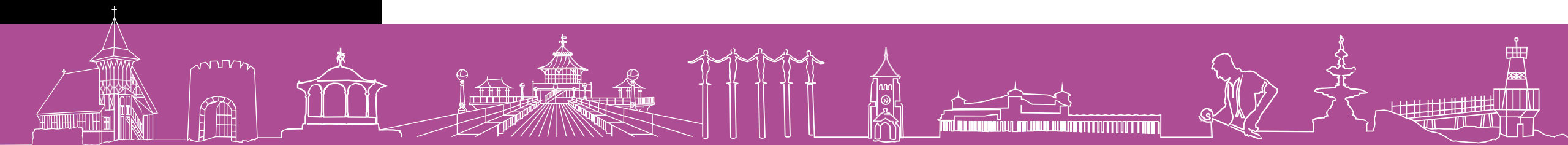
Overview

North Somerset Council is legally required to have robust risk management arrangements in place. Those arrangements are intended to contribute to the good corporate governance of the organisation and are outlined in this Risk Management Strategy. The strategy supports the delivery of our Corporate Plan vision to be *open, fair and green* and to contribute to our ambitions:

- Our children and young people are cared for, safe, supported, and are given equality of opportunity to thrive
- Our communities are caring, healthy and safe, where people help each other to live well
- Our towns and villages are thriving and sustainable places to live, work and visit
- Our council delivers consistently good services and value for money to support our community

This strategy is updated annually in consultation with the council's [Audit Committee](#) and as part of our regular business planning framework.

- [North Somerset Corporate Plan](#)
- [Background and introduction to this strategy](#)
- [Understanding risk](#)
- [Strategy vision and aims](#)
- [Risk management framework](#)
- [Embedding the framework](#)
- [Governance](#)
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Our vision

An Open, Fair, Green North Somerset



Open

You told us open means being honest and transparent. It means listening to you and your views on the decisions we make. It means being accountable for how we spend your money and ensuring we provide the very best value we can.



Fair

You told us fair means being accessible and inclusive in how we work. It means listening to the views of all groups and acting on local issues. It means ensuring equity in access to services.



Green

You told us green means we take our responsibility to respond to the climate emergency seriously. It means we do all we can to understand the impact our actions have on the environment and mitigate them where possible.

Our ambitions

1.

Our children and young people are cared for, safe, supported, and are given equality of opportunity to thrive

2.

Our communities are caring, healthy and safe, where people help each other to live well

3.

Our towns and villages are thriving and sustainable places to live, work and visit

4.

Our council delivers consistently good services and value for money to support our community

Our values



We act with **INTEGRITY**



We **RESPECT** each other



We **INNOVATE**



We **CARE**



We **COLLABORATE**

Background and introduction

We are living through a period of rapid change locally, nationally and across the world. In recent years we have declared a climate and biodiversity emergency, have managed through a global pandemic, and a cost-of-living crisis. All of this has happened against a backdrop of a worsening financial position, not just for local government but the country as a whole.

The challenges North Somerset Council have faced have been unprecedented. We are seeing an increase in demand for our services, shifts in the demographic profile of our area contributing to that demand, an ever-evolving digital landscape including the emergence of generative AI, and changing customer expectations. There is evidence that North Somerset continues to show inequality across the life course, with our residents living in more deprived areas having poorer life chances and worsening health and wellbeing outcomes.

However, we continue to be responsive and innovative to address these challenges. We have strengthened our partnerships with local businesses, voluntary organisations, town and parish councils and other public services like health. We have also seen community organisations flourish and become part of the service delivery landscape, offering innovative, trusted solutions to some of these challenges.

All of this means that the risk environment has changed, and we are seeing both an *increased* number of risks and a *change* in the type of risks. It is essential that we have a robust Risk Management Strategy in place, embedded throughout the organisation to manage these risks but also to manage any opportunities they might create.

It is also essential that we manage our risks in a transparent and informed way. We are accountable to our Corporate Leadership Team, our Executive Members, the Audit Committee and our residents for the way in which we implement risk management. We need to continue to demonstrate that we have a structured approach, which is embedded into our planning and reporting cycles and decision making processes at all levels.

Our updated Corporate Plan reconfirms our vision to be open, fair, green and sets out our broad ambitions and commitments for how we want North Somerset and the council to develop. This updated Risk Management Strategy supports that new plan.



Understanding risk

What do we mean when we talk about risk?

Every aspect of our work involves some level of risk. From policy making to financial management to the day-to-day delivery of services, risk is inherent in everything we do.

At the simplest level, risk is simply the uncertainty of something happening. That ‘something’ could be a negative threat or a positive opportunity. It becomes a risk if it is likely to have an impact on the achievement of our statutory services and Corporate Plan ambitions either because the negative ‘something’ has not been managed or the positive opportunity was not taken advantage of.

Where are these risks?

Risks can be operational and/or strategic. Operational risks exist at service or team level and are generally related to the day-to-day work of that service or team. They can become a strategic risk when they are significantly impacting on the achievement of our Corporate Plan ambitions (significant based on the risk scoring). An example being that the finance team will manage a risk around achieving a balanced budget at year end as part of their business-as-usual work. This will become a strategic risk if there is a high likelihood that the budget will not be balanced and so impact on our ambition to ensure ‘our council delivers consistently good services and value for money to support our community’ as well as our statutory responsibilities.

Why do we need to manage risks?

Being risk aware can help an organisation be more innovative and responsive. By managing risks we can ensure that we understand the risk type i.e. is it operational or strategic, the risk likelihood (how likely it is to happen), and the risk impact (what will happen if it does). We can also consider risk in the wider context of our vision – to be open, fair and green – linking in with our Climate Emergency and reducing inequalities commitments.

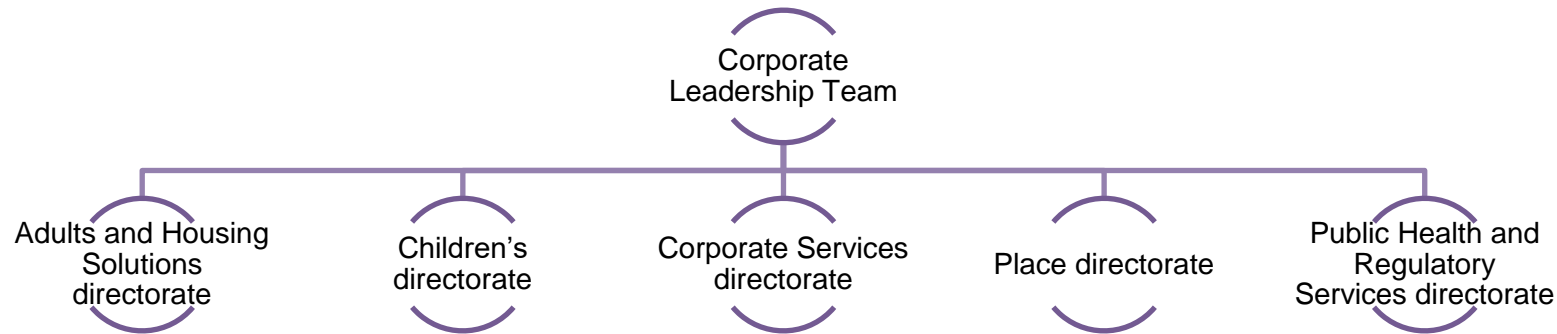
Good risk management means that we are actively managing any uncertainty and ensuring there are no surprises, ultimately this means good corporate planning and governance.



Managing risk in local government

Councils are by their nature highly complex organisations, responsible for the delivery of hundreds of services for people and businesses across their defined area. Among them are well known functions such as social care, schools, transport, housing, planning and waste collection, but also lesser known services such as licensing, business support, registrar services and pest control.

In North Somerset Council functions are provided across five directorates: Adults and Housing Solutions, Children's Services, Corporate Services, Place, and Public Health and Regulatory Services, the directors of which sit on our Corporate Leadership Team (CLT) with the Chief Executive.



The organisation's risk appetite is set at a strategic level by CLT and guides how much risk we are willing to seek or accept to achieve our ambitions. Our risk appetite will change over time and will always be reflective of our current position in terms of ensuring we fulfil our statutory duties and that we work within our funding envelope. On that basis, we commit to being a risk aware rather than a risk averse organisation and agree that we should encourage managed risk taking at service level in order to work towards achieving our Corporate Plan ambitions. However, risks must be reflected in our operational risk registers so that Directorate Leadership Teams can analyse and control them where needed. We also note that the level of managed risk and the specific appetite for those risks will differ across directorates given the scope of services. So what might be an acceptable level of risk in Corporate Services might not be an acceptable level in Children's Services. Directors are required to make decisions for their services on what ongoing risk appetite is acceptable.



Strategy vision and aims

Our vision

The over-arching vision for this strategy:

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.

We are committed to being a risk aware rather than a risk averse organisation.

Our aims

The aims of this strategy are that...

- Risk management is well structured through an agreed framework of identifying risks to reporting them.
- Risk management is embedded in our organisational activities to support decision-making.
- Risk management is well managed through a robust governance structure.
- Risk management is collaborative, is informed by the best available information, and is continually improved through learning and experience.

Our approach

We will achieve these aims by...

- Having a robust and consistent risk management framework including an agreed risk management matrix.
- Establishing clear roles, responsibilities and reporting lines within the council for risk management.
- Providing a risk management toolkit and detailed guidance to use that toolkit.
- Communicating risk information effectively through our quarterly business planning and performance framework.
- Independently monitoring the arrangements in place for risk management on a regular basis.



Risk management framework

Our aim: The risk management processes is well structured through an agreed framework

Our risk management framework is structured in line with best practice guidance from [HM Treasury](#). It includes 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 identification should be part of the wider business planning and performance framework of the organisation so that risk management is embedded within our service delivery.
- **Risk analysis and control:** the process to understand the type of risks, the severity of them, how they will be treated, and the risk holders and strategic owners. This step in the framework is essential to ensure that risk is managed in a consistent way across the organisation and that we are comparing like for like.
- **Risk monitoring and reporting:** the process by which risks are monitored and reported in an integrated, timely and accurate way. This is essential to ensure we have strong corporate governance.



Risk identification

Risk exists at all levels in the organisation, from day-to-day service activity (operational) through to the business of the Corporate Leadership Team (strategic). The identification of risk – whether operational or strategic – is built into the council’s Business Planning and Performance Management Framework.

This framework aims to monitor progress against our Corporate Plan ambitions. We do this on an annual basis by reviewing what we will deliver in-year against the Corporate Plan action plan (our commitments) and including this in Annual Directorate Statements, which are essentially the business plans for each directorate. These are then reviewed and reported quarterly. Services build their Service Strategies, their Team Plans and undertake their appraisals on the basis of the commitments made in the Annual Directorate Statements. This is the organisational ‘golden thread’ and ensures that all staff are working towards the same goals.

Alongside the development of the Annual Directorate Statements, directorates also identify any risks which might challenge achievement of those commitments. These risks are themed based on whether they are impacting finance and resources, transformational activity, the climate emergency, residents and communities, or corporate governance. These risks and the themes then become the risk registers for each directorate. Any operational risks are picked up to be managed by teams and are used to feed service or project specific risk registers, which in turn may escalate back up into the directorate level risk register.

Strategic risks are identified at an annual CLT risk session where the national and regional risk registers are considered alongside a cross-directorate analysis. All risks are reviewed at least **quarterly** and any newly identified risks folded into the appropriate risk register.

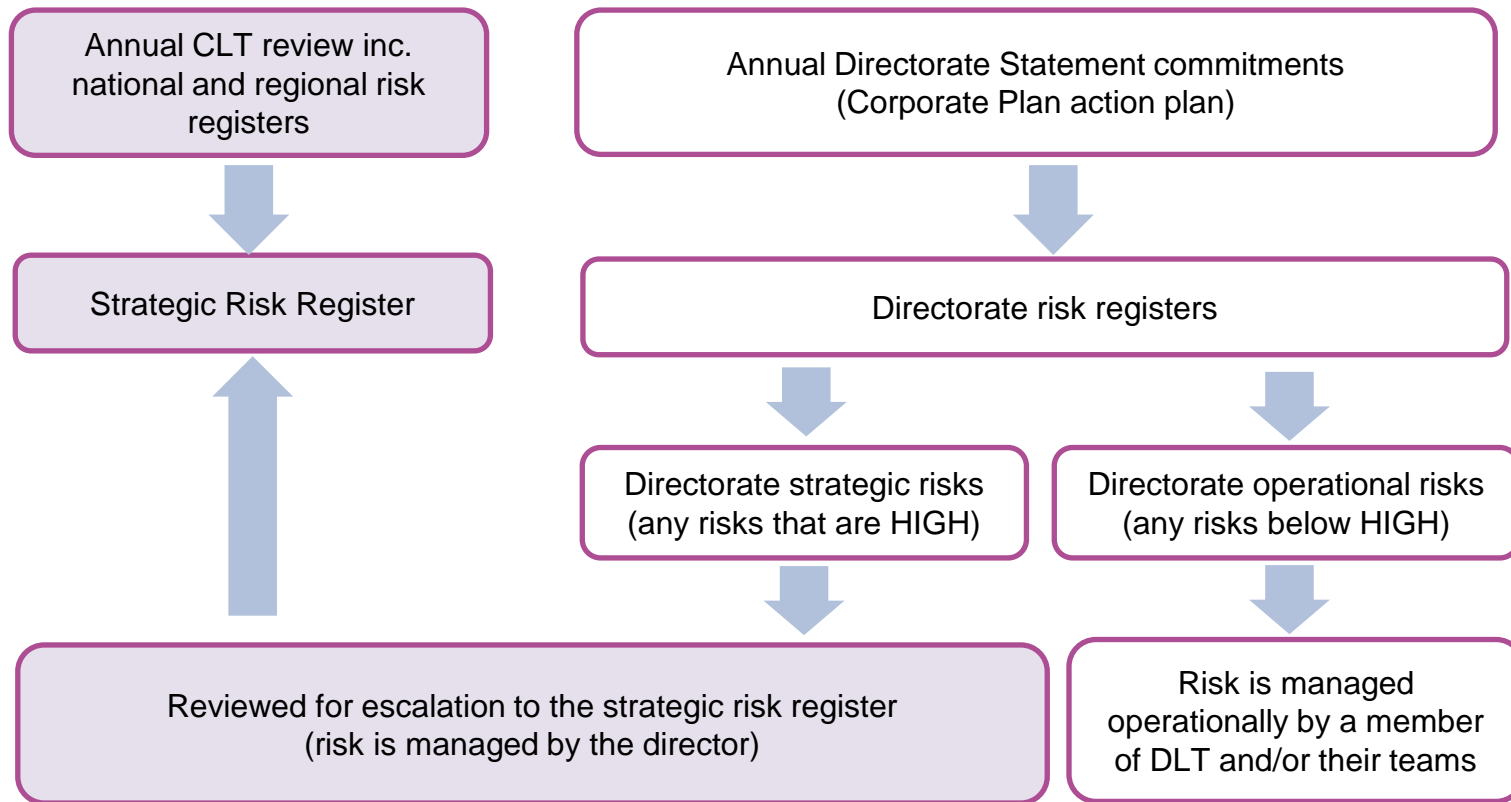
This approach ensures that we have integrated risk management into all levels of our business planning framework, and ultimately how we run our services.



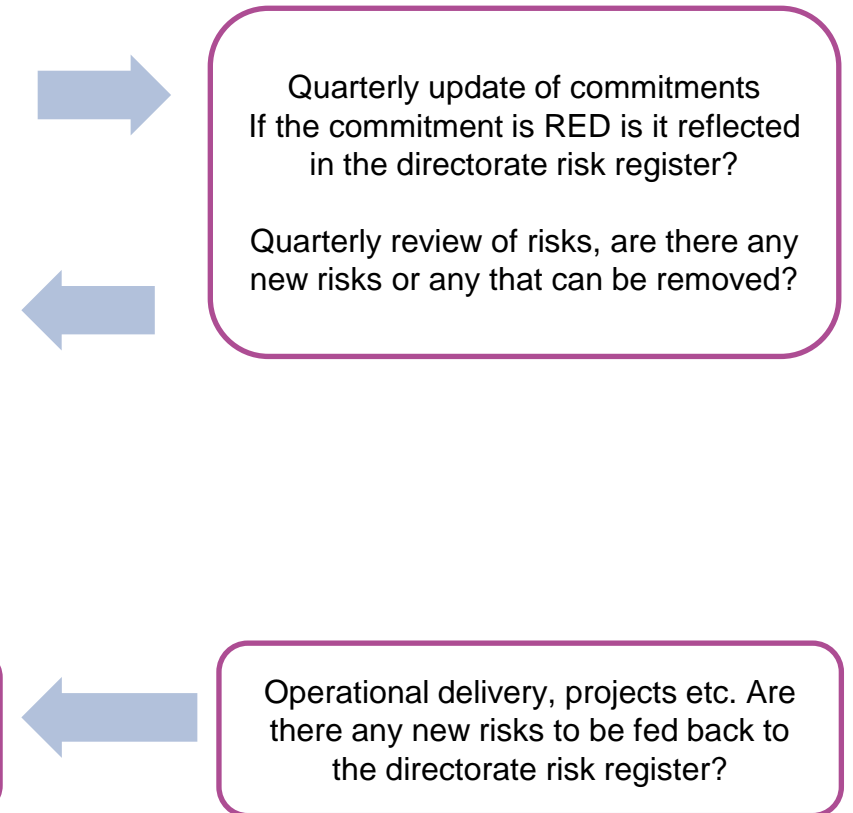
Risk identification: process flow

Risk identification can be summarised in this process flow diagram:

Initial identification of risks:



Ongoing quarterly identification of risks:



Risk identification: risk holders and strategic owners

Risk is a part of everything we do. We all manage risk every day even if we don't realise it. As part of the risk identification process all risks within the business planning framework must have:

- A risk holder, usually a member of the Directorate Leadership Team
- A strategic owner, a member of Corporate Leadership Team, usually the director, named officer.

Identification of risk holders and strategic owners ensures that:

Risk holder

- A risk to the delivery of their commitments, actions and outcomes as identified in the Corporate Plan are properly articulated.
- They have an opportunity to manage that risk using the standard risk management framework, providing consistency across their service areas.
- Can provide assurance to their Corporate Leadership Team lead (director) of their actions to manage that risk or request additional support when needed.

Strategic risk owner

- A risk to the delivery of their ambition(s) as identified in the Corporate Plan is properly articulated.
- They have an opportunity to review that risk using the standard risk management framework in their Directorate Leadership teams and so provide challenge and support.
- Can provide assurance to the Chief Executive and Executive Members as part of their performance and risk updates and request additional strategic and/or cross-directorate support where needed.

Risks identified as part of day-to-day project management should also have a risk holder and a strategic owner. Generally, the risk holder will be the project manager and the strategic owner the project sponsor. Where risk registers are published (strategic risk register) the risk owner should be named and identified by job title, but the risk holder should be identified by job title only.



Risk assessment: analysis and control

Once risks and their risk holders and strategic owners are 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.

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. The impact should be considered based on the same factors used to theme the risks:

- Finance and resources (inc. impact on staff)
- Transformational activity
- The climate emergency
- Residents and communities (inc. reputational impact, equalities)
- Corporate governance

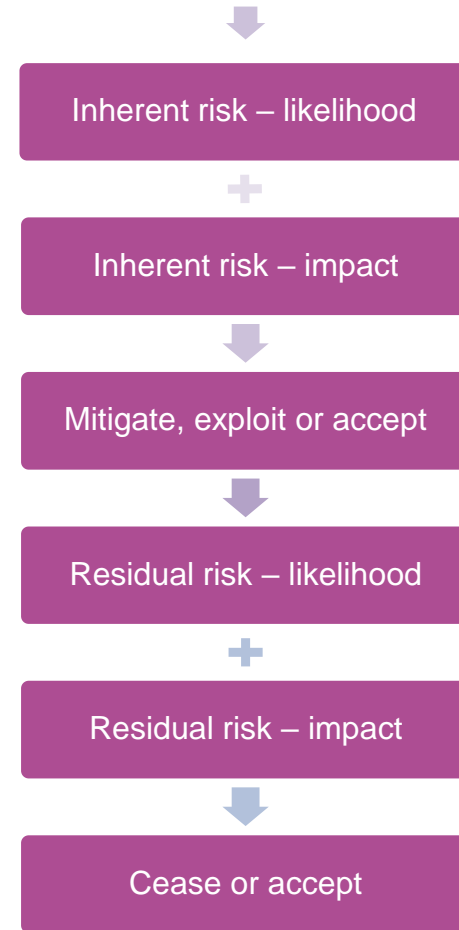
Step two: action

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. Mitigations or exploitations must show clearly how and why they have made a difference to the scoring.

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. However, at this point it may be that the analysis and second assessment show that the risk cannot be managed and in this case the activity that the risk is related to will either need to be ceased or the risk itself will simply need to be accepted if that activity continues.

Analysis and control flow method



Risk analysis and control: risk management matrix

This standard risk management matrix is used to ensure there is consistency in scoring of risks across the organisation. It is based on a scoring system which, when combined across likelihood and impact (from 1 to 5), calculates a RAG rating for each risk as either LOW, LOWMEDIUM, MEDIUM, MEDIUMHIGH or HIGH. Risks that score LOW or LOWMEDIUM (below a combined score of 6) at first assessment (inherent risk) will usually not need to be mitigated or exploited or even given a second assessment to determine the residual risk. Risks that score MEDIUM, MEDIUMHIGH or HIGH (above a score of 8) will need to be mitigated or exploited and re-assessed.

Please use the guidance in the impact section		Likelihood				
		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
Impact ↑ ↓	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 or for strategic risks more than 5% of the council's 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 5	MEDIUM 10	HIGH 15	HIGH 20	HIGH 25
	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 or for strategic risks 4% of the council's 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 4	MEDIUM 8	MEDIUMHIGH 12	HIGH 16	HIGH 20
	Medium – service disruption two to three days with some impact on staff, impact on a project inc. a failure of benefits, affecting 6% to 15% of a budget or for strategic risks 3% of the council's 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 3	LOWMED 6	MEDIUM 9	MEDIUMHIGH 12	HIGH 15
	Low – minimal service disruption with minimal impact of staff, minimal impact to a project, affecting 1% to 5% of a budget or for strategic risks 2% of the council's 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 2	LOWMED 4	LOWMED 6	MEDIUM 8	MEDIUM 10
	Negligible – little service disruption with little impact of staff, minimal impact to a project, affecting up to 1% of a budget or for strategic risks 1% of the council's 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 1	LOW 2	LOW 3	LOWMED 4	LOWMED 5

Risk analysis and control: assurance on mitigations/exploitations

Actions identified that can be put in place to mitigate, or in the case of an opportunity, to exploit a risk must be considered as part of the overall assurance element of risk management.

If a mitigation and/or an exploitation serves to improve the risk score between inherent scoring and residual scoring, the risk holder must be clear HOW and WHY the scoring is now different against LIKELIHOOD and/or the IMPACT.

The risk management template includes the following options to ensure that there is a clear audit trail against these mitigations/exploitations:

- Inherent likelihood (where 1 is rare and 5 is almost certain)
- Inherent impact (where 1 is negligible and 5 is critical)
- Inherent risk score (combined scores from likelihood and impact)
- Inherent risk treatment
- Mitigating / exploiting actions
- Has the mitigation/exploitation reduced the likelihood?
- Has the mitigation/exploitation reduced the impact?
- Residual likelihood (where 1 is rare and 5 is almost certain)
- Residual impact (where 1 is negligible and 5 is critical)
- Residual risk score (combined scores from likelihood and impact)
- Residual risk treatment



Risk monitoring and reporting

Risk monitoring and reporting forms part of the quarterly Business Planning and Performance Management cycle which is led by the council's Business Intelligence Service. It follows a structured process from service level monitoring through to reporting to the public.

1. Risks are monitored in the first instance at service level where the risk holder scores the risk using the scoring matrix and associated guidance. These scores are then reported to the Business Intelligence Service.
2. BIS reviews all risk scores and challenges where necessary before reporting via the quarterly Integrated Performance Management dashboard to the Directorate Leadership Team.
3. All members of the DLT including the director (strategic risk owner) review the risks on an exception basis (MEDHIGH or HIGH) to satisfy themselves that the risk is being controlled appropriately and if not to request more detail or adjust their scores.
4. Risks are then reviewed at Corporate Leadership Team also on an exception basis (MEDHIGH or HIGH) who undertake the same process on the Strategic Risk Register.
5. For each directorate quarterly monitoring sessions are held with the Leader of the council, the Chief Executive, the Executive Member, the Director, and the Head of Business Insight, Policy and Partnerships to review all Annual Directorate Statement Commitments and all Directorate Risk Registers.
6. The Audit Committee is also updated on a quarterly basis where the Strategic Risk Register is discussed at committee.
7. All Scrutiny Panels receive a risk register update before the information is then published as part of the public [Corporate Plan data dashboard](#) available on our website.

At the end of this any newly identified risks or adjusted risks are folded into the next quarter's process.

Reporting and monitoring flow diagram



Embedding the framework

The risk management processes is embedded in our organisational activities to support decision-making

This Risk Management Strategy builds upon the previous strategy and continues to embed risk management within our Business Planning and Performance framework, this ensures a clear link between our Corporate Plan and how we identify, manage and report risks. Alongside this the Risk Management Strategy is strongly embedded in decision making across the organisation to ensure that:

- Officers undertake a risk assessment on any proposal they are making using the standard risk management matrix.
- Officers ensure they have reviewed their proposal against their Directorate Leadership and Strategic Risk Registers – will the proposal impact on any of these risks i.e. will it help mitigate it?
- Where the risk assessment shows risks that are MEDHIGH to HIGH (either at inherent or residual stage) they are always reported as part of the overall proposal including any mitigating actions.
- Decision makers are able to review the proposal and be satisfied that it has been subject to a robust risk assessment.

Together these steps ensure that the decision-making process has had effective scrutiny either at officer or at member level and there is strong assurance that the decision has been properly considered.

Decision making flow diagram



Embedding the framework cont...

To support embedding risk in our decision making:

- **Corporate decision making:** Executive, Committee and Corporate Leadership Team report templates include a section on 'Risk Management'. The section requires the report author to undertake a risk assessment using the 'decision making flow diagram'. Links are included in the report guidance to access the matrix and DLT and Strategic risk registers.
- **Financial planning:** the standard risk management matrix is used across Medium-Term Financial Planning to ensure consistency of risk scoring across budget planning. Finance specific risk registers are held and managed by the Finance Service.
- **Project management:** the Programme Management Office (PMO) requires that all transformation and capital projects hold a risk register which considers the risks to delivering the project outcomes before and throughout the project.
- **Partnership working:** the Policy and Partnerships team holds and manages a risk register analysing threats and opportunities that may impact our partnerships objectives.
- **Climate emergency:** the Climate Emergency project manager holds and manages a risk register analysing threats and opportunities that may impact our achievement of being a net zero council and area by 2030.
- **Procurement:** contract standing orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- **Contract management:** all significant risks associated with all stages of contract management are identified and kept under review in line with this Risk Management Strategy.
- **Information governance:** a risk register is held by the ICT Architecture Board to assess the level of risk and compliance on the use of information.
- **IT:** a risk register is held by Agilisys and reported to the ICT Architecture Board to assess the level of risk and compliance around IT systems and performance.
- **Insurance:** the council's Insurance team manages insurable risks and self-insurance arrangements.
- **Health and Safety:** the council has a specific risk assessment policy to be followed in relation to health and safety risks.

Individual services will also hold their own risk registers where appropriate.



Governance

The risk management processes is well managed through a robust governance structure

To ensure risk management is effectively implemented, all officers and members should have a level of understanding of the Council's Risk Management Strategy and regard risk management as part of their responsibilities. Alongside this some officers and members will have specific governance responsibilities.

Who?	Governance responsibilities	Line of defence
Service and Project Managers	<ul style="list-style-type: none"> Responsible for identifying, assessing and appropriately documenting risk within their area (risk holders). Responsible for managing their risks in line with the Risk Management Strategy and escalating risk where needed. 	First line
Heads of Service	<ul style="list-style-type: none"> Responsible for the effective leadership and management of risk in their service area to meet Corporate Plan ambitions in line with the Risk Management Strategy (risk holders). Be a champion for the Risk Management Strategy and encourage open and honest reporting. 	First line
Directorate Leadership Teams	<ul style="list-style-type: none"> Responsible for the strategic leadership and management of risk in their directorate to meet Corporate Plan aims and priorities in line with the Risk Management Strategy (strategic risk owners). Constructively review and challenge the risks involved in decision making for their directorate. Be a champion for the Risk Management Strategy and encourage open and honest reporting. 	Second line
Corporate Leadership Team	<ul style="list-style-type: none"> Responsible for the strategic leadership and management of risk across the organisation linked to national and regional risk registers, ensuring an embedded, council-wide risk management culture. Responsible for owning and managing the Strategic Risk Register in line with the Risk Management Strategy. Ensure members receive regular risk management updates. 	Second line
Internal audit	<ul style="list-style-type: none"> Provide evaluation and challenge on the strategy and on risk registers 	Third line
Executive members	<ul style="list-style-type: none"> Regularly consider and challenge the risks involved in achieving Corporate Plan ambitions and undertake assurance with risk owners. 	Third line
Audit Committee	<ul style="list-style-type: none"> Provide guidance and assurance on the development and implementation of the Risk Management Strategy Approve the Risk Management Strategy. Regularly consider and challenge the risks involved in achieving Corporate Plan ambitions. 	Third line
Scrutiny Panels	<ul style="list-style-type: none"> Regularly consider and challenge the risks involved in achieving Corporate Plan ambitions. 	Third line

Information and expertise

Risk management is collaborative, is informed by the best available information, and is continually improved through learning and experience

Our risk management framework is structured in line with best practice guidance from [HM Treasury](#) and we are committed to reviewing any new best practice guidance during the annual refresh of the strategy and any recommendations made as a result of external audits.

This risk management strategy is supported through a toolkit which includes the following:

- Risk identification tool
- Risk management matrix
- Escalating risk
- Decision making and governance guidance
- The Strategic Risk Register
- The Directorate Risk Registers

The strategy is also supported by the following training materials:

- An overview of managing risk as part of business planning and as part of the PMO.

Our values

As we manage risk throughout the organisation we will always do so in line with our values:



Supporting toolkit links:

- Risk toolkit (within the PMO)
- Decision making and governance guidance
- The Strategic Risk Register
- The Directorate Risk Registers

Strategy links:

- Corporate Plan: [Organisational priorities | North Somerset Council \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/organisational-priorities)
- Climate Emergency Strategy: [Climate Emergency | North Somerset Council \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/climate-emergency)
- Health and Wellbeing Strategy: [Health and wellbeing strategy 2021-24 | North Somerset Council \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/health-and-wellbeing-strategy-2021-24)

Questions:

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