Committee

Audit and Governance Committee

25th September 2026

Public

Annual Risk Management Update and Strategic Risks

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield – Interim Section 151 Officer
Service Area:	Risk Management
Report Author	Barry Hanson, Head of Policy and Governance
Officer contact details	07990 086409 barry.hanson@shropshire.gov.uk
Electoral Divisions Affected	All
Key Decision?	Non Key
Cabinet Forward Plan	Not applicable
Report considered by	Not applicable

1. Purpose of Report

1.1. This report supports the Committee in discharging its governance oversight responsibilities in relation to risk management. By considering and endorsing the annual risk management update and strategic risks report, the Committee confirms that it has reviewed the Council’s approach to identifying, assessing, managing and reporting significant risks, and whether these arrangements provide sufficient assurance over the Council’s key priorities, controls and governance arrangements.

1.2. This report also enables the Committee to assess the Council’s current strategic risk profile and consider whether the risks, controls, mitigations and planned actions reported provide sufficient assurance that significant exposures are being appropriately managed. This is particularly important where risks remain high, are increasing, or require cross-Council ownership and escalation, as it supports effective challenge, timely action and clear accountability for managing risks that could affect delivery of the Council's priorities.

2. Recommendations

2.1. The Committee is asked to consider and endorse:

- Current risk position, and steps that are being taken to strengthen risk management arrangements at Shropshire Council.

3. Background

3.1. Corporate risk management is particularly important in the Council's current position, where significant financial, operational and governance pressures require clear visibility of the risks that could affect delivery of priorities, statutory responsibilities and service outcomes. A strengthened risk management framework will support the Council to identify emerging issues earlier, clarify ownership, assess the adequacy of controls and ensure that mitigating actions are monitored and escalated where necessary. In this way, risk management is intrinsically linked to improvement of the overall control environment, as it provides the structure through which weaknesses can be identified, prioritised and addressed, and through which Members and senior officers can gain assurance that key risks are being actively managed.

3.2. The need to strengthen corporate risk management has been reinforced through a range of recent assurance and improvement activity, including external audit findings, CIPFA expectations and the Corporate Peer Challenge. These have collectively highlighted the importance of clearer risk ownership, more consistent reporting, stronger escalation routes and better evidence that key risks, controls and mitigating actions are being actively managed. Responding to these findings provides an opportunity to embed risk management more firmly within the Council's governance framework and improvement activity, ensuring that strategic and operational risks are visible, understood and subject to appropriate oversight by senior officers and Members.

3.3. Management is responsible for identifying, assessing and managing risks that may affect the delivery of the Council's priorities, services and statutory responsibilities. Effective risk management arrangements should support informed decision-making, proportionate controls, clear ownership and timely escalation of significant issues. The Audit and Governance Committee has delegated responsibility under the Constitution to consider the effectiveness of the Council's risk management arrangements and to provide appropriate challenge and assurance in relation to the Council's strategic risk profile.

3.4. CIPFA guidance on audit committees in local authorities describes audit committees as a key component of an authority's governance framework, providing independent and high-level focus on the adequacy of governance, risk and control arrangements. In relation to risk management, this requires the Committee to receive sufficient information to understand the Council's strategic risk profile, seek assurance that risks are being identified and managed effectively, and provide constructive challenge where risk exposure, mitigation, ownership or escalation is unclear.

3.5. That oversight is particularly important because Statutory Officers have recognised that the Council’s corporate risk management arrangements have not consistently provided a sufficiently proactive or comprehensive view of the organisation’s risk profile. This position was reflected in the annual Internal Audit review of risk management 2025/26, which gave a limited assurance opinion and made six significant recommendations. The findings indicate the need to strengthen the Council’s risk management framework, including clearer ownership, improved escalation, more consistent reporting, and stronger assurance that key strategic and operational risks are being actively managed.

3.6. Plans to implement a Council-wide Risk Assurance Model for the review of operational risks from January 2025 were not progressed due to organisational restructuring, capacity limitations and resource constraints. The proposed model is now misaligned with the current structure.

4. Summary of Main Proposals

Management Arrangements

4.1. Over the past two years, there have been several changes in senior management within the Risk & Business Continuity Team, which now reports to the Strategy & Scrutiny Manager. These changes, alongside the formation of the Leadership Board in early 2025, have influenced governance and reporting arrangements. A decision has been made by the Statutory Officers to move the risk management function to Legal and Governance under the Head of Policy and Governance. This transition is due to take place effective from 1 October 2026.

4.2. To maintain appropriate independence and objectivity, the Head of Policy and Governance will not provide Internal Audit assurance over risk management arrangements, this work will be completed by the Internal Audit Manager and reported to the committee separately. The risk management function will be responsible for supporting the development, maintenance and reporting of the Council’s risk management framework. This will ensure that management responsibility for risk is distinguished from independent assurance over the adequacy and effectiveness of the Council’s risk management arrangements. This move will enable the longer term aim to align corporate risk management with Internal Audit which will support the wider internal control improvements required.

4.3. Improving the Council’s risk management culture will take time and will need to be supported by sustained leadership, consistent expectations and practical engagement across services. While the revised framework, clearer ownership arrangements and additional capacity will strengthen the formal risk management process, cultural change will depend on risk being routinely considered as part of service planning, decision-making, performance management and assurance activity. Progress should therefore be viewed as a staged improvement journey, with the aim of embedding risk management as a proactive management tool rather than a periodic reporting requirement.

Resourcing

4.4. A documented proposal to realign the risk management function was presented to, and approved by, the Budget, Transformation and Change Panel. As part of this realignment, a new Risk Manager post has been created to provide dedicated leadership of the corporate risk management function. Interim recruitment is taking place during September 2026 for a six-month period, covering the remainder of the 2026/27 financial year, while recruitment to the permanent post is progressed. An additional Risk Management Officer post will also be recruited to increase capacity and resilience, and to support more consistent identification, reporting, escalation and oversight of strategic and operational risks across the Council.

4.5. Consideration is being given to adding a Risk and Internal Control Improvement Specialist role into the new risk management team. Acting as a proactive improvement resource to work directly with service areas to help mitigate known risks, support on the implementation of known required control improvements in readiness for inspection either internally via the internal audit team or external inspection. This role will work closely with the internal audit team but will not be constrained by the independence required of Internal Auditors. This means a more hands on supporting role in establishing new controls and building resilience in service delivery and corporate plan. Provision this new role will be considered as part of the budget setting for the 2027/28 financial year.

Risk Management Strategy and Framework

4.6. A key recommendation in the 2025/26 Internal Audit report was to fully review the current Opportunity Risk Management Strategy and Framework which has not been fully redrafted since 2022. This is currently being undertaken and will be finalised by Statutory Officers in the coming weeks. This work is in collaboration with the Leadership Board Governance Group and aligned with the Corporate Plan in 2026-30. This will be reviewed on an annual basis. The draft framework can be found at **Appendix E**.

4.7. There will need to be a programme of activity to support the implementation of the new strategy and framework including awareness raising, training and guidance for staff on the importance of raising issues timeously that require risk management. This activity will form part of the refreshed improvement plan.

4.8. The new framework will implement a ten by ten scoring matrix for all risks which will offer more granularity on risks identified. All operational risk registers will be reassessed using the new framework by December 2026, the results of which will be considered as part of the 2026/27 Annual Governance Statement process.

Strategic Risk Management

4.9. The exceptional position described in the 2025/26 Annual Governance Statement, and the strategic risks identified through that process reflect the Council’s current operating environment. Significant financial, governance, capacity and delivery pressures remain evident and require sustained corporate oversight, clear ownership and effective mitigation. The strategic risk register therefore provides a structured mechanism for monitoring these exposures, confirming whether controls remain appropriate, and ensuring that further action is escalated where risks could affect the Council’s ability to deliver its priorities, statutory responsibilities and improvement commitments.

4.10. In August 2026, the strategic risk environment was reviewed through a Leadership Board workshop, informed by the significant governance issues identified in the 2025/26 Annual Governance Statement, external assurance reports from CIPFA, CPC and External Audit led by the S151 Officer. Following this review, Statutory Officers assumed ownership of the Council's strategic risks, with additional control owners responsible for reviewing and confirming that planned controls are appropriate, deliverable and sufficient to mitigate the associated risk exposure. A further dedicated Statutory Officer review will be undertaken to clarify the additional controls and scoring.

4.11. Assurance levels of the additional mitigating controls are documented in line with the IIAs Three Lines of Assurance Model. This approach helps organisations identify and manage risks effectively by creating three distinct levels of control and oversight as shown at **Appendix A**.

4.12. As at 11 September 2026 there are 12 strategic risks recorded on the strategic risk register, which are overseen by the statutory officers group. These are detailed in **Appendix B**.

Operational Risk Management

4.13. Operational risks are reviewed on a bi-annual basis. As part of the wider risk management review and in readiness for the new risk management framework all operational risk registers have been updated during the summer. These risks recorded on the Risk Management SharePoint site which enables risks to be more pro-actively managed in a 'live' environment enabling PowerBI reports to be provide a 'real time' overview of our risk position.

4.14. Emerging operational risks, or themes are considered as part of the strategic risk review. Strategic risks have been added to the strategic risk register as a result of risks raised through operational risk reviews.

4.15. As at 9 September 2026 there are 82 operational risk registers in place across the organisation containing 1062 risks in total. The diagram in **Appendix C** demonstrates our current overall operational risk exposure along with the current plotting matrix.

4.16. Between October and December 2026, all operational risks will be fully reviewed and scored using the new methodology. The results from which will feed into the review of the Strategic risk exposure documented within the AGS for 2026/27.

Project Risk Management

4.17. The corporate risk management function continues to support key projects that are currently underway, or which are due to be commenced.

4.18. There is a robust risk management process in place for project related risks. A risk register is developed at the commencement of projects and held within SharePoint. Risks are allocated to appropriate project board members for management and review. The direction of travel for projects is monitored to give an indication as to how well risk is managed.

4.19. PowerBI reports are available on current risk exposure across any project. As at 11 September 2026 there are 460 live project risks. Current project risk exposure is demonstrated in **Appendix D** shows the current overall risk exposure and a plotting matrix for the risk scoring.

4.20. Automated emails are sent every quarter to project risk owners reminding them to update and review their risks. If risks are not reviewed automated escalation emails are then sent to the project manager and the risk management officer for follow up.

5. Alternative Options

5.1. As this report is presented for consideration and endorsement rather than decision, there are no alternative options requiring evaluation. The Committee may, however, request further information, make comments, or identify additional actions in response to the performance and assurance outcomes reported.

6. Key Risks and Opportunities

6.1. Through effective corporate risk management arrangements, the Council seeks to identify, assess, manage and monitor the key risks that may affect delivery of its priorities, services and statutory responsibilities. Clear risk ownership, proportionate controls, timely escalation and regular reporting support informed decision-making and help ensure that significant financial, operational, governance and reputational exposures are understood and managed. This contributes to the continuous improvement of the Council’s overall control environment and organisational performance.

6.2. In considering this report, Members should take assurance from the steps being taken to strengthen the Council’s corporate risk management arrangements and improve the visibility, ownership and escalation of key risks. The strategic and operational risks reported are intended to provide a clearer view of the Council’s current risk exposure, the controls and mitigations in place, and the further actions required to manage risks to an acceptable level. Risks that are critical to the Council’s priorities, services or statutory responsibilities will continue to be reviewed, monitored and escalated through the appropriate governance routes, including Statutory Officers, Leadership Board and the Audit and Governance Committee. Key risks associated with the effectiveness of corporate risk management are identified in the table below.

Risk	Mitigation	Link to Strategic Risk
Failure to maintain an effective corporate risk management framework.	Review and update the Risk Management Strategy and Framework, with approval by Statutory Officers and annual review thereafter.	Governance, assurance and value for money.
Strategic and operational risks are not identified, escalated or reported consistently.	Implement consistent risk reporting, clearer ownership, escalation routes and routine review through Statutory Officers, Leadership Board and	Governance, assurance and value for money.

Risk	Mitigation	Link to Strategic Risk
	the Audit and Governance Committee.	
Risk actions and additional controls are delayed or not delivered.	Track planned actions, confirm accountable owners, monitor delivery timescales and escalate overdue or high-impact actions for management and Committee challenge.	Governance, assurance and value for money.
The Council does not have sufficient assurance over the effectiveness of risk controls and mitigations.	Use the Three Lines Model to clarify management controls, oversight arrangements and independent assurance activity, including targeted Internal Audit work where appropriate.	Governance, assurance and value for money.
Capacity or skills shortages limit delivery of the risk management improvement programme.	Recruit to the Risk Manager and Risk Management Officer posts, provide clear work priorities and use interim support to maintain progress during transition.	Governance, assurance and value for money. Workforce Capacity and Capability.

6.3. The strengthening of corporate risk management arrangements provides an opportunity to improve the Council's ability to respond to emerging risks and changing priorities in a timely and structured way. Clearer ownership, improved escalation routes, more consistent reporting and alignment with the Three Lines Model will support better-informed decision-making and provide greater assurance that key controls and mitigations are operating effectively. This will help embed risk management as a proactive tool for organisational improvement, rather than a periodic reporting exercise.

7. Council Priorities

7.1. Corporate risk management is aligned to the Council's Corporate Plan 2026–2030 and supports its core ambitions of financial sustainability, organisational improvement and effective use of resources. By providing a clearer understanding of the Council's strategic and operational risk profile, the risk management framework supports informed decision-making, prioritisation and accountability. This helps ensure that key risks to the delivery of Council priorities are identified, assessed, escalated and managed effectively, supporting the Council's ambition to be sustainable, resilient and efficient.

8. Financial Implications

8.1. The Risk Management service operates within an approved budget agreed by the Council, and its activities are planned to maximise the value of this resource in providing risk based assurance.

8.2. Through strengthened risk management arrangements, the Council will be better able to identify, assess and manage financial risks at both strategic and operational levels. Clearer risk ownership, more consistent reporting and improved escalation will support earlier recognition of issues that could affect financial sustainability, budget delivery, value for money or the effective use of resources. This will provide management, the Committee and the Council with greater visibility of the financial risks facing the organisation and the actions being taken to mitigate them

9. Legal and HR implications

9.1. There are no direct legal or human resource implications arising from this report. However, effective corporate risk management supports the Council in identifying, assessing and managing risks that may affect compliance with legislation, policies, statutory duties and employment-related responsibilities. Strengthened risk ownership, escalation and reporting arrangements will help ensure that legal and workforce-related risks are identified at an appropriate level and managed through the relevant governance and management routes.

10. Electoral Division Implications

10.1. There are no direct electoral division implications arising from this report, as it relates to the governance, risk management and internal control arrangements of the Council as a whole rather than impacts on specific localities.

11. Health, Social (including “Child Friendly Shropshire”) and Economic Implications

11.1. This report does not have any direct health, social or economic implications. However, the work reported to the Committee will look at these aspects relevant to the governance, risk management and control environment.

12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from this report. However, effective corporate risk management supports the Council in identifying, assessing and managing risks that could affect fair access to services, compliance with equality legislation, and the consistent application of policies and procedures. Strengthened risk ownership, escalation and reporting arrangements will help ensure that equality-related risks are considered through the Council’s governance framework and managed through the appropriate service and corporate routes.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from this report. However, effective corporate risk management supports the Council in identifying, assessing and managing risks that may affect environmental compliance, climate-related responsibilities, biodiversity considerations and the delivery of sustainability objectives. Strengthened risk ownership, escalation and reporting arrangements will help ensure that relevant environmental risks are considered through the Council’s governance framework and managed through the appropriate service and corporate routes.

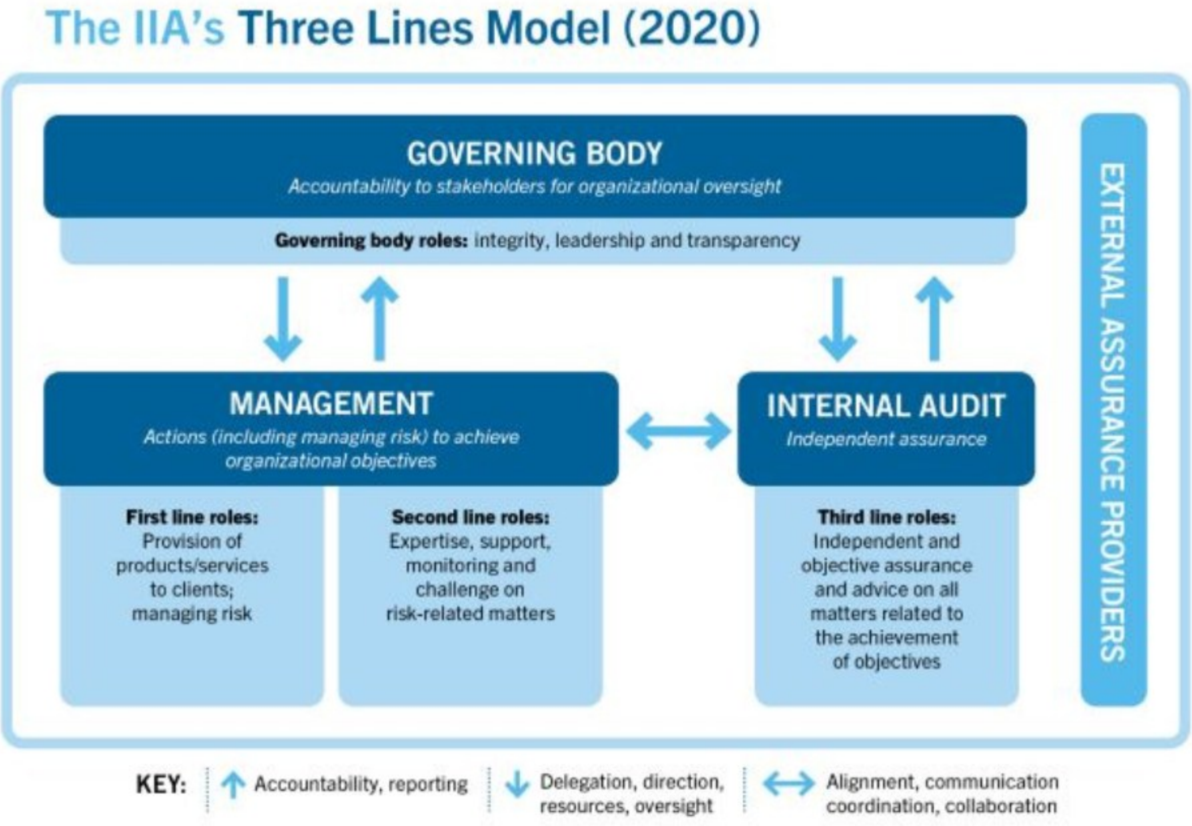
14. Background Papers

14.1. Second line assurance: Strategic Risks Update – Audit and Governance Committee, 5 February 2026

15. Appendices

Appendix A – Three Lines Model
Appendix B - Strategic Risks
Appendix C – Operational Risks
Appendix D – Project Risks
Appendix E – Draft Risk Management Framework 2026

Appendix A


The IIA's Three Lines Model (2020)
GOVERNING BODY
Accountability to stakeholders for organizational oversight
Governing body roles: integrity, leadership and transparency
MANAGEMENT
Actions (including managing risk) to achieve organizational objectives
INTERNAL AUDIT
Independent assurance
First line roles: Provision of products/services to clients; managing risk
Second line roles: Expertise, support, monitoring and challenge on risk-related matters
Third line roles: Independent and objective assurance and advice on all matters related to the achievement of objectives
EXTERNAL ASSURANCE PROVIDERS
KEY:
Accountability, reporting
Delegation, direction, resources, oversight
Alignment, communication coordination, collaboration

Appendix B

The following table details the current strategic risks along with the description detail and owner.

Risk Title	Risk Description/Detail	Risk Owner
Transformation programmes and significant projects	Transformation programmes and significant projects are delayed, deferred or fail to deliver on their objectives leading to loss of opportunities and adverse financial impacts.	Statutory Officers
Major emergency, pandemic or climate related events	A catastrophic physical, climatic or pandemic event severely disrupts the delivery of Council services and compromises the Council's ability to meet statutory requirements.	Statutory Officers
Breakdown of critical contracts, providers or strategic partnerships	Breakdown of major contract or partnership arising from provider insolvency, poor performance, workforce shortages, contractual disputes or market instability, resulting in service disruption, financial loss, reputational damage and additional management costs.	Statutory Officers
Governance, performance and financial weaknesses.	External scrutiny and threat of intervention. A consequence of EFS is an increased likelihood of external scrutiny over and above the Improvement Board arrangements established in November 2025. There remains an ongoing risk of Government intervention, including the appointment of envoys or commissioners.	Statutory Officers

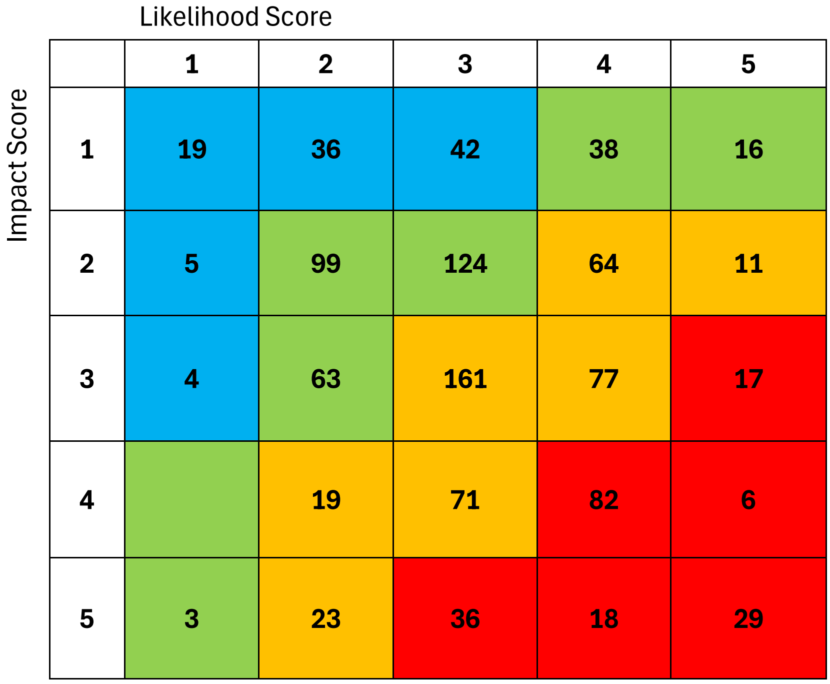
Risk Title	Risk Description/Detail	Risk Owner
Challenging financial position compromising decision making and governance arrangements	The necessity to deliver significant savings, reduce expenditure and reliance on EFS may limit strategic flexibility and increase the risk that decisions prioritise immediate financial outcomes over longer-term service sustainability and demand prevention. Robust governance, decisive and transparent decision making and effective scrutiny arrangements will be essential.	Statutory Officers
Workforce capacity and capability	Workforce capacity and capability must be in place to deliver existing services to minimum standards but also to support the significant transformation and improvement activity required to address the Council's financial challenges.	Statutory Officers
Maintaining cyber resilience and information security	Cyber security remains as an ongoing threat to all organisations, not least the public sector and local government, in terms of the impact of lost, corrupted or stolen data with serious implications for potential financial loss and reputational damage.	Statutory Officers
Increasing demand for services and economic uncertainty	The national and global economy remains volatile and new demands on statutory services continues to present significant financial risks to the Council.	Statutory Officers
Achieving long-term financial sustainability	Despite a three-year settlement, government funding continues to reduce as a proportion of public sector investment in real terms and continues to transfer additional burden to local taxpayers.	Statutory Officers
Impact of financing Exceptional Financial Support (EFS)	Exceptional Financial Support (EFS) incurs costs of debt for both interest and principal of a fixed number of years and creates an additional overhead over and above the costs of additional demands for services and the inflation that goes with it.	Statutory Officers
Governance, assurance and value for money	The external auditor issued statutory recommendations as part of their annual audit for 2024/25 which cast doubt on the integrity of the Council’s value for money arrangements.	Statutory Officers
Effective internal control framework	The Council has reported Limited Assurance on the Internal Audit Control Framework for seven years, limiting confidence in the standards of governance in place within the organisation.	Statutory Officers

Appendix C

The following diagram shows the spread of operational risks over the last three years. As at 11 September 2026 there are 1063 live operational risks.

The following diagram shows the scoring matrix for current operational risks.

Operational Risk plotting matrix 11/9/26



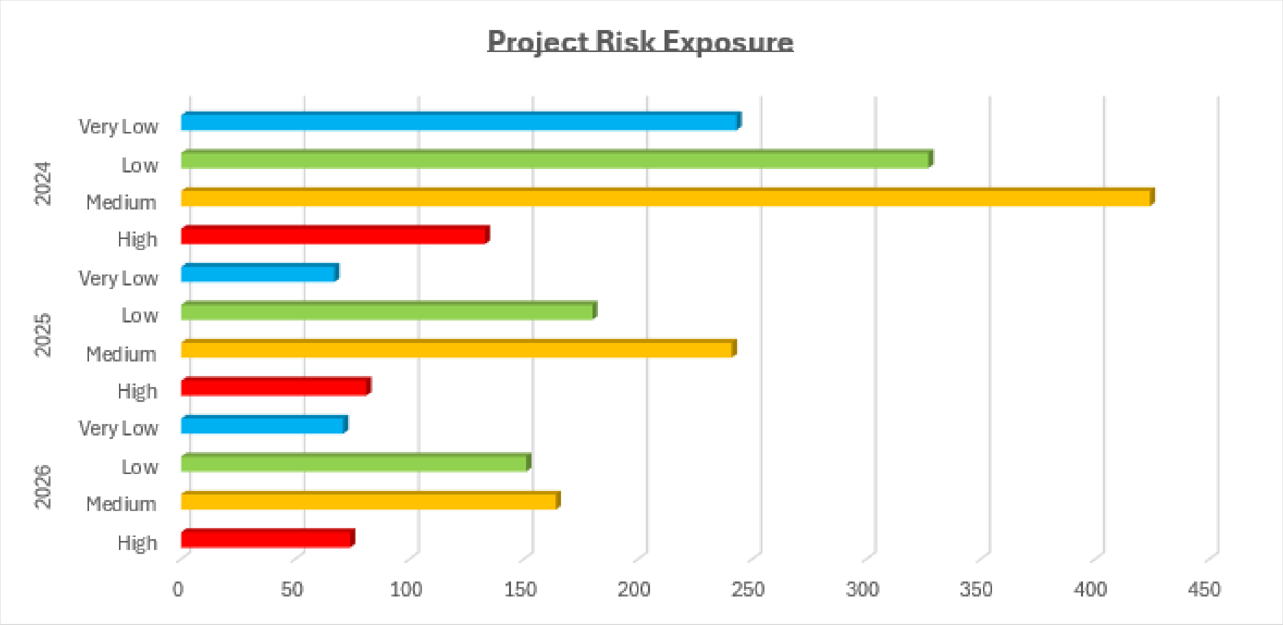
Likelihood Score

Impact Score

	1	2	3	4	5
1	**19**	**36**	**42**	**38**	**16**
2	**5**	**99**	**124**	**64**	**11**
3	**4**	**63**	**161**	**77**	**17**
4		**19**	**71**	**82**	**6**
5	**3**	**23**	**36**	**18**	**29**

Appendix D

The following diagram shows the spread of project related risks over the last three years. As at 11 September 2026 there are 460 live project risks.



Project Risk Plotting Matrix (11/9/26)

Likelihood Score

	1	2	3	4	5
1	6	5	1		
2	30	43	20	8	9
3	29	76	62	15	9
4	8	25	40	26	7
5	4	5	9	5	18

Impact Score