

Report to: **Audit Committee**

Date: **25<sup>th</sup> June 2020**

Title: **Strategic Risk & Opportunity Monitoring – bi-annual update**

Portfolio Area: **Governance and Assurance**  
**Cllr Judy Pearce (Leader of Council)**

Wards Affected: **All**

Scrutiny Committee: **N/A**

Urgent Decision: **N** Approval and clearance **Y**  
obtained:

Date next steps can be taken:

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**Recommendations:**

**That the Audit Committee REVIEW the Strategic Risk & Opportunity Register (Appendix 1) and make recommendations to Council on any further action the Committee concludes should be considered.**

**1. Executive summary**

- 1.1. In accordance with the Risk & Opportunity Management Strategy adopted on 6<sup>th</sup> December 2018 by South Hams District Council, this report forms the required bi-annual update to Audit Committee Members.
- 1.2. The Strategy sets out the roles and responsibilities for various Council Committees and officer groups. The Audit Committee is to "Provide independent assurance to the Council on the effectiveness of the Council's risk and opportunity management, internal control and overall assurance framework".
- 1.3. This report aims to provide the Committee with the information required in order to provide that assurance to the Council. Included is a copy of the current strategic risk (Appendix 1).

**2. Background**

- 2.1. The Council at its meeting on 6 December 2018 resolved to adopt the Risk & Opportunity Management Strategy.
- 2.2. The strategy requires the Senior Leadership Team (SLT) to:

- ✓ Identify, evaluate, prioritise and control risks and opportunities facing the Council in achieving its objectives
  - ✓ Ensure the Council implements and manages risk effectively through the delivery of the Risk and Opportunity Management Strategy and consider risks affecting delivery of services
  - ✓ Ensure risk and opportunity management is considered by SLT on a quarterly basis
- 2.3. To aid the achievement of these tasks, monitoring reports are presented for approval to the SLT and to the Audit Committee on a six-monthly basis. Operational red risks may be referred to the Overview and Scrutiny Panel.
- 2.4. The questions to be asked during monitoring include:
- ✓ Is the risk still relevant?
  - ✓ Is there any movement in the risk score?
  - ✓ Are the controls still in place and operating effectively?
  - ✓ Has anything occurred which might change its impact and/or likelihood?
  - ✓ Have potential opportunities been considered and maximised?
  - ✓ Have any significant control failures or weaknesses occurred since the last monitoring exercise?
  - ✓ If so, does this indicate whether the risk is increasing or decreasing?
  - ✓ If the risk is increasing do I need to devise more controls or think of other ways of mitigating the risk?
  - ✓ If the risk is decreasing can I relax some existing controls?
  - ✓ Are controls / actions built into appropriate documented action plans?
  - ✓ Are there any new or emerging risks?
  - ✓ Have any of the existing risks ceased to be an issue (and can therefore be archived?)

### **3. Outcomes / Outputs**

- 3.1. Following the last update to Audit Committee on 7 November 2019, the Strategic Risk Register has been updated in line with our Risk and Opportunity Strategy.
- 3.2. The following summarises the key changes to the Strategic Risk Register as at June 2020.

#### Transfer of the following risks to service operational risk registers

- 3.3. The following risks have been removed from the Strategic Risk Register as they are now being managed by services (where they are best placed to be managed)
- Inadequate Asset Maintenance (Risk score 8)
  - Finance Systems and Budget Monitoring (Risk score 6)
  - Achievement of Income (Risk score 9)

- Contractor Failure (Risk score 10)
- Data Protection (Risk score 8)
- Adherence to policy (Risk Score 8)
- Health and Safety (Risk score 8)
- Safeguarding (Risk Score 8)
- External Fraud (Risk score 6)
- Internal Fraud (Risk Score 4)
- Procurement (Risk Score 4)

3.4. Should the risk score related to any of these risks increase to above 10, they will escalate back to the Strategic Risk Register to be monitored by the Senior Leadership Team

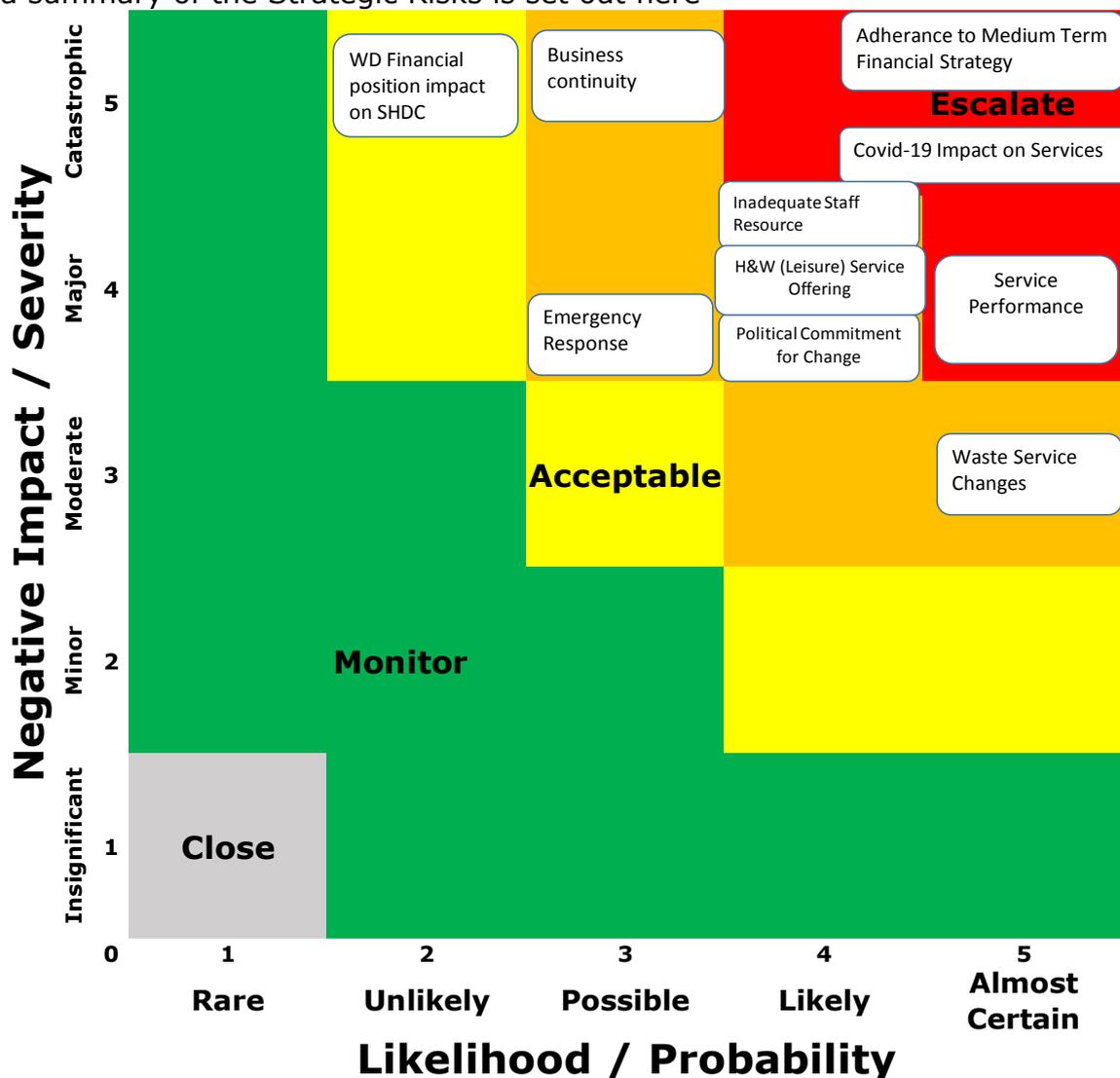
Addition of new risks

3.5. The management team regularly review both internal and external developments to consider any new emerging risks and opportunities. As set out in the November 2019 Audit Committee report, we do this using a PESTLE approach (Political, Economical, Sociological, Technological, Legal and Environmental). As a result, the following risks have been added to the Strategic Risk Register

- Covid-19 Impact on Services (Risk score 25 – the highest possible score)
- Ability to deliver our Health and Wellbeing (Leisure) offering

3.6. We have added the specific Covid-19 risk to the strategic risk register as it has significant impacts on the Council and our communities. The impacts of Covid-19 have also significantly increased the risk profile of other risks on the Strategic Risk Register including our ability to adhere to the Medium Term Financial Strategy, organisational performance and adequacy of staffing resources.

3.7. The most up-to-date strategic risk register is enclosed at Appendix 1 with a summary of the Strategic Risks is set out here



3.2. The risk register (Appendix 1) includes a summary of mitigating and management actions undertaken or proposed, to manage the identified risks. Monitoring requires both a proactive approach to assessing potential risk, as well as carrying out retrospective reviews to improve learning from risk and embedding it across the two Councils.

3.3. Scoring is split to more clearly define the risk impact – with financial, legal/regulatory, health & safety, reputation, morale/staffing, service quality factors all being considered independently. To create a risk score, the likelihood is multiplied by the impact “worst child”.

3.4. Appendix 2 shows the current Risk Scoring Matrix which has been used to identify risk status. A risk rating is developed by assessing risk impact/severity and multiplying it by the likelihood / probability of the risk occurring. The risk score identified is the assessment based on the mitigation being successful.

4. **Options available and consideration of risk**

4.1. Members could opt to follow, amend or reject the recommendation.

- 4.2. The tables are living documents and will regularly change in response to issues arising.
- 4.3. Members should note that, while risk is assessed collectively within SLT, the judgements in relation to the scores are inevitably subjective and Member challenge of officer conclusions is therefore welcomed.
- 4.4. If the Committee deems necessary, Members may make recommendations to Council on amendments to the register(s) or refer red risks (if applicable) to the Overview and Scrutiny Committee for further detail and investigation.

## 5. Proposed Way Forward

- 5.1. It is suggested that the Committee's attention is focussed on those risks with the highest score i.e. the risks with a score of 16 and over.
- 5.2. While Members are invited to focus on the key risks, Members are welcome to review any of the risks identified
- 5.3. SLT will continue to monitor the Strategic Risks and a further update will be brought to Audit Committee in six months' time

## 6. Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal / Governance	Y	The Audit Committee has a role in keeping under review and recommending to Council improvements in relation to effective risk management.  There are no direct legal implications arising from the report although a strategic focus on risk and opportunity management is good practice. Any specific legal implications are to be considered in individual risk assessments.
Financial	Y	There are no direct financial implications arising from the report, although effective corporate risk and opportunity management can help protect the Council from budget variances.
Risk	Y	Members should note that while risk and opportunity is assessed collectively within SLT, the judgements in relation to the scores are inevitably subjective and Member challenge of the officer conclusions is therefore welcomed.
Climate Change - Carbon / Biodiversity Impact	Y	There are no direct carbon/biodiversity impacts arising from the recommendations as this will be factored into individual risk assessments where appropriate.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	Factored into individual risk assessments where appropriate. Equalities Impact Review of the Risk Management Policy in place.
Safeguarding	N	Factored into individual risk assessments where appropriate.

Community Safety, Crime and Disorder	N	Factored into individual risk assessments where appropriate.
Health, Safety and Wellbeing	N	Factored into individual risk assessments where appropriate.
Other implications	N	N/A

**Supporting Information**

**Appendices:**

Appendix 1: Strategic Risk Register

Appendix 2: Risk & Opportunity Scoring Matrix

**Background Papers:**

Risk & Opportunity Management Strategy adopted 4<sup>th</sup> December 2018