

Report to: **Audit Committee**

Date: **7<sup>th</sup> November 2019**

Title: **Strategic Risk & Opportunity Monitoring – Regular Update**

Portfolio Area: **Enterprise/Governance and Assurance**  
**Cllr David May**

Wards Affected: **All**

Scrutiny Committee: **N/A**

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

Date next steps can be taken: **Any Committee recommendations will be presented to the Council at its meeting on 19 December 2019**

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**Recommendations:**

**That the Audit Committee:**

- 1. REVIEW the Strategic Risk & Opportunity Register (see Appendix 1a & b) and make recommendations to Council on any further action the Committee concludes should be considered; and**
- 2. APPROVE the proposal to review the Risk Register using a PESTLE (Political, Economic, Sociological, Technological, Legal and Environmental) analysis approach with the outcome of this review being presented back to the Committee at its meeting on 26 March 2020.**

**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 1a) & opportunities register (Appendix 1b). These include a summary of the management and mitigating actions to address the identified risks and the categorisation and next steps of the identified opportunities.
- 1.4. This is the first opportunity under the new Council for the Audit Committee to review the strategic risk and opportunity register and therefore Members may wish to take a wider view on the present policy and approach to risk and opportunity management.

## 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 Audit Committee to "provide independent assurance to the Council on the effectiveness of the Council's risk and opportunity management, internal control and overall assurance framework".
- 2.3. Additionally, 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
- 2.4. 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 Committee.
- 2.5. 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. The most up-to-date strategic risk register is enclosed at Appendix 1a.
  - 3.2. The tables include 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. The most up-to-date opportunity register is enclosed at Appendix 1b. This is a working register (snapshot) and as such, only pertinent information available at the time of publishing is shown. Some opportunities may be pursued, whilst others may not and all will be subject to business case and the relevant leadership / Member sign-off or business case as applicable. The information contained will alter as investigations / research into the opportunities continue.
  - 3.5. Opportunities are categorised into response categories:
    - 3.5.1. **Ignore:** Minor opportunities can be ignored, by adopting a reactive approach without taking any explicit actions.
    - 3.5.2. **Share:** Seek a partner/stakeholder able to manage the opportunity, which can maximise the likelihood of it happening and increase the potential benefits
    - 3.5.3. **Enhance:** Seek to increase the likelihood and/or the impact of the opportunity in order to maximise the benefit.
    - 3.5.4. **Exploit:** Seek to make the opportunity definitely happen. Aggressive measures to ensure the benefits from the opportunity are realised
  - 3.6. 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 recommendations.
  - 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, including questioning as outlined in paragraph 2.5 above.

5.3. Whilst it is considered that the existing Risk Register is 'fit for purpose' and significant risks have been identified and assessed, it is proposed that the list is revaluated using a PESTLE analysis (Political, Economic, Sociological, Technological, Legal, Environmental) as presented to Members during the joint Member Workshop with West Devon Borough Council that was held on 10 July 2019.

5.4. It is proposed to bring the new, updated Risk Register to Members at the next six monthly review (March 26 2020 Committee meeting).

## 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 1a: Strategic Risk Register

Appendix 1b: Opportunities Register

Appendix 2: Risk & Opportunity Scoring Matrix

**Background Papers:**

Risk & Opportunity Management Strategy adopted 6<sup>th</sup> December 2018

**Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off	<b>Yes</b>
Data protection issues considered	<b>Yes</b>