



South Hams  
District Council

# Strategic Risk Register

## August 2022 Update

Audit & Governance Committee 8<sup>th</sup> September 2022



*Better lives for all*

# Introduction

## What Do we mean by Risk?

Risk is unavoidable in any organisation. It is ever present and a certain amount of risk-acceptance is inevitable if we are to achieve our objectives of our Better Lives for All Strategy.

## What Is Risk Management?

Successful Risk Management is an essential part of delivering good governance across the Council and reduces the uncertainty of achieving our ambitions (as set out in Better Lives for All).

It is about adopting a planned and systematic approach to identifying, evaluating and controlling the things that will prevent us delivering on our priorities.

## How does Risk Management fit in to our business planning?

Effectively identifying and managing risks will support the Council in acting in the best interests of our residents, businesses and communities through the ever changing environment of local government.

*It is the 5<sup>th</sup> step in our Performance Management Framework*



### **Step 5: Risk Management**

Identify risks that may prevent us delivering our vision and how we will mitigate them



# Our Risk Management Objectives

We have 6 key objectives that guide our approach to Risk Management

1. Adopt a strategic approach to risk management in order to make well informed decisions
2. Integrate risk management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
6. Ensure that risk management continues to be a key and effective element of our Corporate Governance

## Benefits of Effective Risk Management



### Improved Strategic Management

- Greater Ability to deliver against our corporate objectives and targets
- Improved decision making, planning and prioritisation



### Improved Operational Management

- Plans in place to response to incidents when they occur
- Better service delivery



### Improved Financial Management

- Better informed financial decision making
- Greater financial control
- Minimising waste and improving Value for Money



### Improved Customer Service

Service disruption to customer minimized



# Our Risk Management Process

Identification of risks, deciding what action to take to minimise the risk and assessing how successfully we did it is an activity that we are all doing constantly in our personal lives. The same approach is applied by the Council in assessing risks to our priorities and services.

To do this we follow a 5 step approach



# Our Risk Management Scoring

**Likelihood**  
How possible is it that the risk will occur?

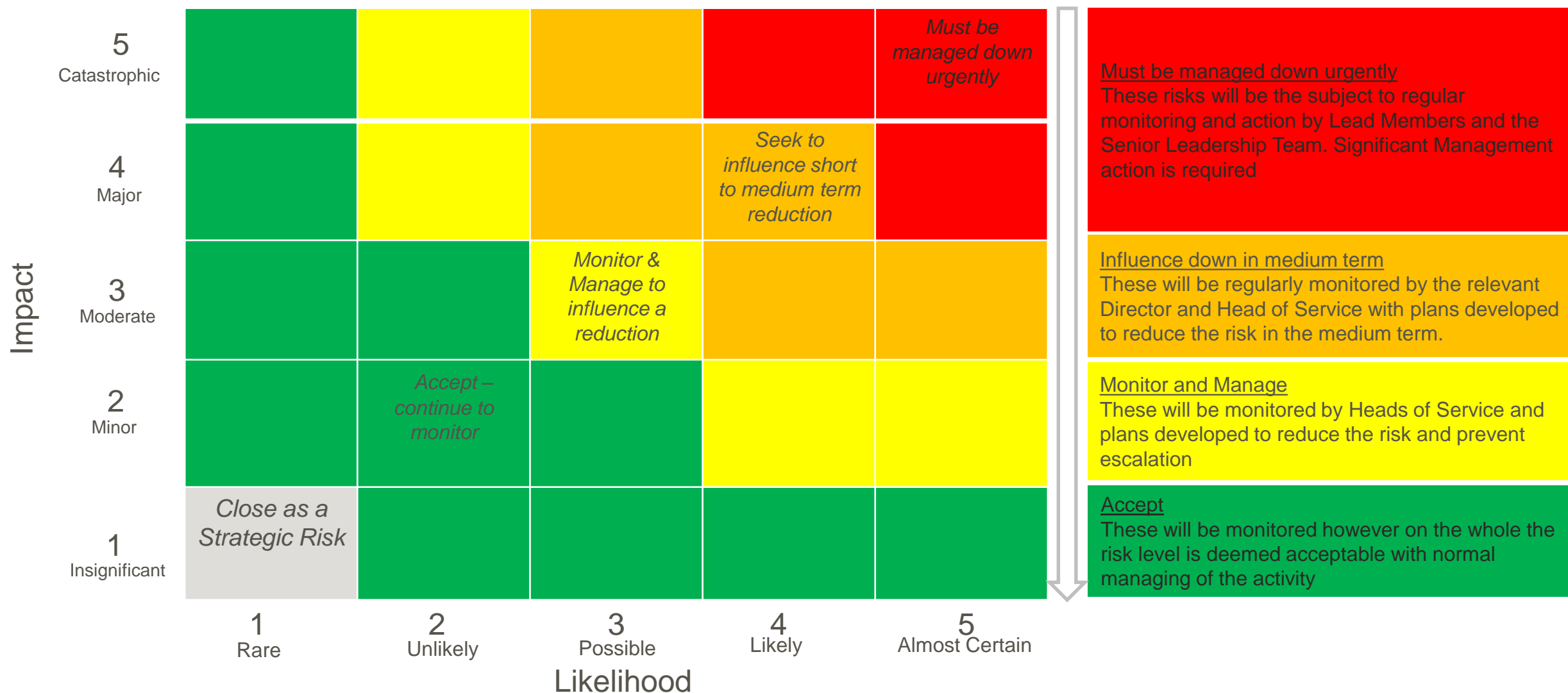
#	Likelihood	Chances of occurring	
1 – Rare	Unlikely to occur under normal circumstances	0-10%	Very unlikely this will ever happen e.g. Once in 100 years
2 – Unlikely	Potential to occur however likelihood remains low	10-25%	Not expected to happen, but is possible e.g. Once in 25 years
3 - Possible	Possible - Could occur	25-50%	May happen occasionally, e.g. Once in 10 years
4 – Likely	Likely - Most likely will occur	50-80%	Will probably happen, but not a persistent issue e.g. Once in 3 years. Has happened in the past.
5 – Almost Certain	Almost certainly will occur	80-100%	Will undoubtedly happen, possibly frequently e.g. Annually or more frequently. Imminent/near miss.

**Impact**  
If the risk does occur, what is the impact?

#	Impact Category					
	Financial	Service Quality	Reputation	Legal/Regulatory	Health and Safety	Morale / Staffing
1 – Insignificant Impact	Financial loss of less than £10k	Drop in performance or delays to a process or temporary loss of an access route to a service	Limited local interest, single story	Not reportable to regulator/Ombudsman, simple fix	Minor first aid required	Isolated staff dissatisfaction
2 – Minor Risk	Financial loss of between £10k & £100k	Drop in performance or delays to a service area or sustained loss of access routes for services	Local or 'industry' interest, single story over multiple news outlets	Reportable to regulator/Ombudsman, no or little follow up needed	Minor injuries to employees or third parties	Pockets of staff morale problems and increased turnover
3 – Moderate Risk	Financial loss of between £100k & £500k	Drop in performance or delays to delivering a wide range of services	Short term negative media exposure	Regulator/Ombudsman report with immediate correction to be implemented, or risk of prosecution	Simple 'medical professional' type care for employees or third parties, e.g. GP visit, minor injuries unit visit	General staff morale problems and increased turnover
4 – Major Risk	Financial loss of between £500k & £1Mill	Major drop in performance or inability to deliver discretionary services	Sustained negative media coverage, or South West or 'affected industry' publication exposure	Regulator/Ombudsman report requiring major project to correct or prosecution with fines, etc.	Limited hospital care required for employees or third parties	Widespread morale problems and high turnover. Not perceived as employer of choice
5 – Catastrophic	Financial loss of over £1Mill	Major drop in performance or inability to deliver mandatory services	Long term negative media coverage, or national media exposure	Significant prosecution or fines, incarceration of directors	Significant injuries or fatalities to employees or third parties	Some senior leaders leave / high turnover of experienced staff, insufficient staff to complete statutory functions

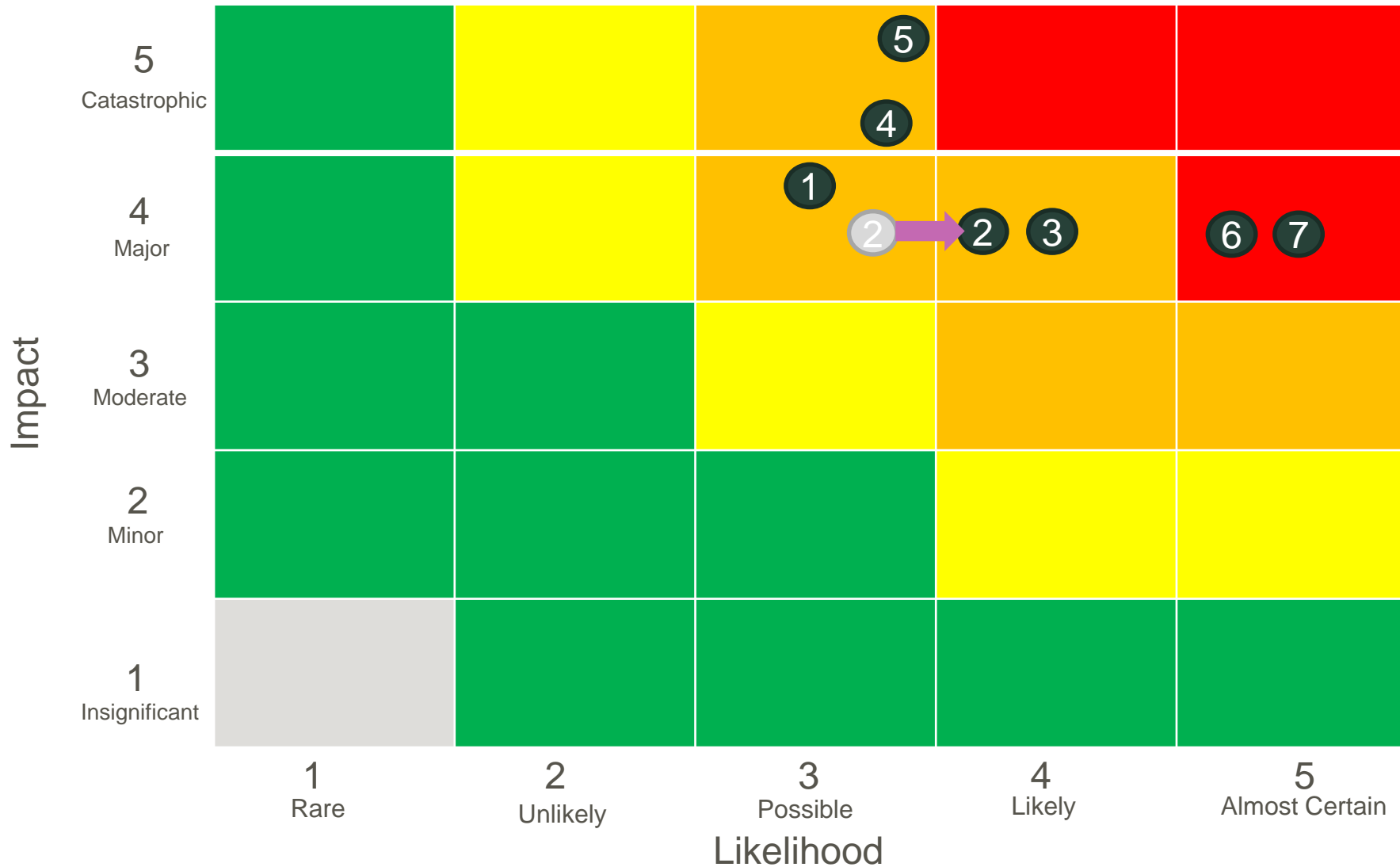
To calculate the overall risk score, we multiply the likelihood by the highest impact category score.

# Our Risk Management Treatment



# Summary of Strategic Risks August 2022

⊗ Previous Period Score  
 ⊗ Current Period Score



- Risk Title**
- Adherence to Medium Term Financial Strategy
  - Inadequate Staffing Resource
  - Health and Wellbeing Service Provision
  - Business Continuity
  - Delivery of Waste and Recycling Service
  - Cost of Living Impacts
  - Homes for Ukraine Placements
- Removed since last update:-
- Covid-19 Impact on Services
  - Commitment to change (below threshold)
  - Emergency Response (below threshold)
  - RHSS Town Recovery Fund (scheme ended)




# Risk Title: Adherence to Medium Term Financial Strategy

# Overall Scoring

What is the risk? Failure to sustain a robust on-going medium term financial strategy in SHDC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income targets, council decisions, changes in Government policy with regard to business rates and affordable housing; Potential impact on delivering the MTFs, particularly if national/regional businesses successfully appeal against business rate valuations or litigation proceedings / legal challenges / planning appeals, etc.

**Risk Score (Current)**



Likelihood 3 x Impact 4

What could cause the risk to occur? Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. a reduction in sales, fees and charges income or business rate appeals. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn, the effects of the pandemic and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area.

Risk Scoring	Likelihood of risk occurring		3 (Possible)	<p><b>What are we doing to reduce the risk?</b></p> <ol style="list-style-type: none"> <li>Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable e.g. New Homes Bonus.</li> <li>SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans.</li> <li>SLT engaged in the development of the MTFs.</li> <li>The latest Medium Term Financial Strategy will be considered by Executive in September 2022.</li> </ol>
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	2 (Minor)	
		Morale / Staffing	2 (Minor)	



**Current Update (August 2022)**

The Council has prepared its Medium Term Financial Strategy for the period covering 2023/24 to 2025/26 and this is being presented to the Executive at its September 2022 meeting. The forecast budget gap for 2023/24 is £374,616. This is 3.3% of the Projected Net Budget for 23/24 of £11.47million. A cumulative budget gap of £386,749 is predicted for 2024/25. A Government technical consultation on the finance settlement is expected in the Autumn. The hope is that this will enable greater confidence to be had in the assumptions underlying the MTFs and might also set out the principles of how a two-year finance settlement would be implemented. In the meantime, there are continuing uncertainties about the level of local government funding for 2023/24. There is no indication yet of the detailed local government funding levels for 2023/24 and beyond. Therefore there are many uncertainties in preparing for the challenges we know we will face in the near future.

The Council has closed its Accounts for 2021/22 and the Draft Un-Audited Accounts were published by the end of July 2022. The Council reported a surplus for the 21/22 year of £214,000 (2.2%) against the Council's total net budget of just over £9.6million.

The Council has to be entirely independent to fund all of its services, as the District Council no longer receives any main Government Grant (Revenue Support Grant). The Council has had a reduction in core Government funding of £4million per year since 2010.

As at 31 March 2022, the Council has £20.839 million in Earmarked Reserves and £2.056million in Un-earmarked Reserves.

**Risk Direction**





# Risk Title: Inadequate Staffing Resource

# Overall Scoring

What is the risk? The risk is that the Council fails to have the right culture, organisational conditions or resources to deliver our priorities for our communities. Insufficient staffing arrangement resulting in a loss of staff morale, and inadequate resources for training and re-skilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.

**Risk Score (Current)**

**16**

Likelihood 4 x Impact 4

What could cause the risk to occur? The last few years have seen Local Government stepping up to provide significant and varied support to our residents, communities and businesses in addition to maintaining our core service delivery, This has been a sustained period of the council delivering additional support and services and is only likely to continue in to the short-medium term.

Risk Scoring	Likelihood of risk occurring		4 (Likely)	<p><b>What are we doing to reduce the risk?</b></p> <ul style="list-style-type: none"> <li>We are continuing with our programme of service reviews, implementing recommendations to make a positive impact on our ability to meet customer demands, this has included:-             <ul style="list-style-type: none"> <li>Restructuring our Planning Service with a separate Head of DM for South Hams and now aligning specific team members to meet the needs of South Hams</li> <li>Appointing a Head of Revenues and Benefits to drive forward our improvement plans for this service</li> </ul> </li> <li>We are holding regular staff briefings and have recently held our first staff briefings since before the pandemic</li> </ul>
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	2 (Minor)	
		Morale / Staffing	2 (Minor)	



Current Update (August 2022) There have been a number of significant changes to our operating environment in recent months which has significantly increased the risk that we do not have sufficient staffing resource to meet the needs of our residents and communities. For South Hams these changes include responding to the Cost of Living crisis, supporting the Homes for Ukraine scheme and bringing our Waste, Recycling and Cleansing services back in house by October 3rd. We are also entering Autumn and there is the risk the Covid-19 (as well as other seasonal illnesses) reduces the availability of staff. Since April we have lost 281 working days to Covid-19 illness.

Recruitment of staff has been a significant challenge with many posts that we attempt to recruit to not being filled – current notable challenges include planning, legal and finance posts. We are working with other Councils and private sector organisations to address this shortage in the short -term and have commenced a review of our recruitment approach and reward strategy.

We continue to review our structures and resources to ensure we can best align to meeting the needs of our residents. In September we will launch our staff survey as part of our commitment to be a listening council and employer. The results of the survey will contribute to the development of an Organisational Development Strategy for the Council which will focus on ensuring that our staff have the skills, tools and motivation to succeed and deliver on our Better Lives for All ambitions.

**Risk Direction**

Risk Title:	Health and Wellbeing Service Provision		
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What is the risk?	The risk is that following the negative impacts to leisure centres as a result of Covid-19, leisure centres may now face further pressures due to the increased cost of living including through loss of revenue as residents consider where they can save money and through increased cost of operating the centres given the energy price increases and increasing inflation.		
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What could cause the risk to occur?	This risk original escalated to the Strategic Risk register as a result of the Covid-19 pandemic forcing the closure of leisure centres, meaning a loss of income. The risk has now changed slightly and the main cause for it to remain on the strategic risk register is the risk that revenues reduce as the cost-of-living crisis deepens.		
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Risk Scoring	Likelihood of risk occurring		4 (Likely)
	Impact	Financial	4 (Major)
		Service Quality	2 (Minor)
		Reputation	2 (Minor)
		Legal / Regulatory	2 (Minor)
		Health and Safety	4 (Major)
		Morale / Staffing	2 (Minor)

**What are we doing to reduce the risk?**

1. Worked with Fusion Leisure to revise the management fee profile in response to the reductions in income seen through Covid-19 (agreed by Council in March 2022)
2. Continue to engage with Fusion to understand issues and support where possible
3. Continue to monitor local and national position (given that all leisure providers will be in the same position)
4. Promote active participation in sport and leisure through Council communication channels

Current Update (August 2022)	<p data-bbox="224 986 2142 1053">As of July 2022, leisure centre memberships were at 80% Dartmouth, 77% Ivybridge, 83% Kingsbridge and 70% Totnes, compared to Pre-pandemic levels</p> <p data-bbox="224 1093 2142 1193">The leisure sector is still facing difficult times following the recovery from Covid-19 in the operations of leisure centres. The energy crisis and the cost of living challenges has resulted in costs increasing and customers re-evaluating their memberships and usage levels, impacting on income levels for leisure operators.</p> <p data-bbox="224 1196 2142 1263">The provision of leisure centres is a discretionary service. However the activities align with the Council’s corporate strategic plan – ‘Better Lives for All’ in providing quality services and community wellbeing. This includes increasing active participation in sport and leisure activities.</p>		
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# Overall Scoring

**Risk Score (Current)**



Likelihood 4 x Impact 4



**Risk Direction**



Risk Title:	Business Continuity
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What is the risk?	The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.
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What could cause the risk to occur?	Developing and maintaining robust Business Continuity Plans requires significant and sustained focus. During Covid-19 response, the Councils risk profile has changed as we have relied much heavier on working in different ways (for example more staff working from home the majority of time) and with significant pressures being placed on some of our key delivery partners/ contractors. Work is required to update our BCP's to the changing environment that we are operating in. We are also entering a period where extreme weather events increase the risk of a business continuity event triggering.
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Risk Scoring	Likelihood of risk occurring	3 (Possible)	
	Impact	Financial	5 (Catastrophic)
		Service Quality	5 (Catastrophic)
		Reputation	4 (Major)
		Legal / Regulatory	2 (Minor)
		Health and Safety	3 (Moderate)
		Morale / Staffing	3 (Moderate)


**What are we doing to reduce the risk?**

- Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service.
- Agile working further reduces reliance on two office buildings.
- Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident.
- Business Continuity plans have been updated - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust – further work underway for the new year

Current update (August 2022)	<p>Positive progress has been made and we have increased the resilience of our business continuity arrangements with new hardware in place to enable a more stable IT environment and more frequent off-site backups.</p> <p>Cyber-security training has been rolled out to all employees and members so that everyone is better able to identify potential threats to our IT operating environment.</p> <p>Significant progress has also been made in updating our Business Continuity and recovery plan for our IT service, working with sector experts to ensure they are as robust as possible.</p>
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## Overall Scoring

**Risk Score (Current)**





Likelihood 3 x Impact 5




**Risk Direction**



Risk Title:	Delivery of Waste and Recycling Service				Overall Scoring	
What is the risk?	In July 2022, the decision was taken to end the agreement with our Waste and Recycling Services provider and return the service to an in-house one. The risk has therefore changed from the ability of our contractor to deliver our services to a risk around our ability to transfer the services back to an in-house arrangement.				<b>Risk Score (Current)</b>  	
What could cause the risk to occur?	The most likely cause of this risk occurring would be inadequate resourcing ( either capacity or expertise) to deliver the transfer of services back into the Council on 3 <sup>rd</sup> October 2022 or have sufficient resources after the transfer to deliver the services.					
Risk Scoring	Likelihood of risk occurring	3 (Possible)		<b><u>What are we doing to reduce the risk?</u></b>  <ol style="list-style-type: none"> <li>Appointed a dedicated project manager to support the Head of Service with the co-ordination and management of the transfer of services back to the Council.</li> <li>Developed a detailed project and resourcing plan with weekly project team meetings monitoring and managing progress</li> <li>Continuing to engage with the existing contractor to ensure relevant and timely transfers of data and knowledge to enable a successful transfer</li> <li>Developing a comprehensive Communication Plan to manage expectations of Day one service</li> <li>We are working with the contractor, HR and agencies to ensure sufficient staff transfer to the council and putting in place contingency plans for key roles.</li> <li>Developing risk assessment and business continuity plans for the delivery of services.</li> <li>Delivering staff engagement plan and developing a robust workforce strategy to retain the workforce</li> </ol>		
	Impact	Financial	4 (Major)			
		Service Quality	5(Catastrophic)			
		Reputation	5 (Catastrophic)			
		Legal / Regulatory	4 (Major)			
		Health and Safety	3 (Moderate)			
		Morale / Staffing	4 (Major)			
Current Update (August 2022)	Since the decision was made to end the current contract and bring the service back in-house, a project team has been working (under the direction of Director for Customer Service Delivery and Head of Service-Waste & Recycling) to develop and manage a project plan and oversee the transfer and safe operation of the service. Regular meetings are held to manage the progress and issues escalated to the Senior Leadership Team where required. A full update on the progress will be set out to Executive at their meeting on 15 <sup>th</sup> September 2022.				<b>Risk Direction</b>	

Risk Title:	Cost of Living Pressures				Overall Scoring	
What is the risk?	The risk is that the significant increase in the cost of living results in many more residents requiring urgent support to meet their basic needs and to keep on top of their essential bills. The increase in residents requiring support will put pressure on Council services – particularly Housing, Revenues and Benefits as well as for some of our key partners such as Citizens Advice and Fusion Leisure. Additionally, as residents have less disposable income, we are likely to see an impact on businesses across the district.				<b>Risk Score (Current)</b>    Likelihood 5 x Impact 4	
What is causing the risk?	There has been a marked increase in the cost of living, largely driven by an increase in energy bills (by 54% since April and a further predicted increase from October). Inflation is at a 40 year high and forecast to increase further in the coming months. This will lead to a reduction in the living standards of all residents within the District.					
What is the level of risk?	Likelihood of risk occurring	5 (Almost Certain)	<b><u>What are we doing to reduce the risk?</u></b>  1. We have taken steps to quickly progress payments through the government Council Tax energy rebate scheme and launched a discretionary scheme for those households not eligible for the main scheme 2. Launched a Household Support Fund to provide emergency funding to households that are not able to meet their essential bills 3. Made one-off payments of £90 to all pensioners who are in receipt of Council Tax discount		<b>Risk Score History</b>  New risk – no history available	
	Impact	Financial				4 (Major)
		Service Quality				4 (Major)
		Reputation				4 (Major)
		Legal / Regulatory				3 (Moderate)
		Health and Safety				3 (Moderate)
Morale / Staffing	4 (Major)					
Current Update (August 2022)	There has been a significant escalation in the cost of living in the last few weeks with OFGEM announcing on 26 <sup>th</sup> August an increase in the energy price cap of £1,578. The Council is currently developing proposals for how we can support our residents and these will be set out to Executive at their meeting on 15 <sup>th</sup> September 2022.				<b>Risk Direction</b>  New risk – no history available	

Risk Title:	Homes for Ukraine Placements				Overall Scoring	
What is the risk?	The risk is that the Council is not able to meet the longer-term housing needs of Ukrainians arriving in the district through the Homes for Ukraine scheme (or other routes) resulting in significant need for temporary accommodation or consideration of placements out of the area.				Risk Score (Current)	
What is causing the risk?	The Council has so far welcomed 155 Ukrainians to South Hams in 66 family groups, as at 25 <sup>th</sup> August, we are anticipating further arrivals in the coming months. There has been a fantastic level of response from South Hams residents opening their doors to Ukrainians that are fleeing the war, but we are already seeing a number of Guest/Host relationships breaking down for various reasons. It is anticipated that there will be further breakdowns in the coming months as placements come to the end of the initial 6 months of the scheme but also due to increased cost of living for hosts resulting in maintaining a larger number of individuals in their homes much more expensive that anticipated and far over and above the £350 per month ‘Thank you’ payment.				 Likelihood 5 x Impact 4	
What is the level of risk?	Likelihood of risk occurring	5 (Almost Certain)	<b><u>What are we doing to reduce the risk?</u></b> <ol style="list-style-type: none"> <li>Developed a dedicated team to work with hosts and guests to try to ensure as many placements as possible are maintained.</li> <li>Recruited 3 x case workers to undertake home visits</li> <li>Begun to prioritise the property checks of potential ‘rematch’ hosts, meaning that where a placement breaks down we have a ‘pool’ of alternative hosts available</li> <li>Continued work with Team Devon to develop longer term proposals</li> </ol>		Risk Score History	
Impact		Financial			4 (Major)	New risk – no history available
		Service Quality			4 (Major)	
		Reputation			4 (Major)	
		Legal / Regulatory			3 (Moderate)	
		Health and Safety			3 (Moderate)	
Morale / Staffing		4 (Major)	Risk Direction			
Current Update (August 2022)	<p>The Council is continuing to work closely as part of Team Devon to monitor the situation and our new caseworkers started on 5<sup>th</sup> September 2022. This will significantly increase our capacity to work with hosts and guests to maintain placements wherever possible.</p> <p>An in-depth report is due for consideration by Executive at their meeting on 15<sup>th</sup> September setting out the steps we are taking to respond to the needs of our Ukrainian guests.</p>				New risk – no history available	