



South Hams
District Council

Strategic Risk Register

June 2023 Update

Audit & Governance Committee 6th July 2023



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 Corporate 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

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 5th 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

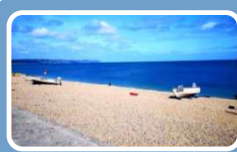


Our Risk Management Objectives

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 respond 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

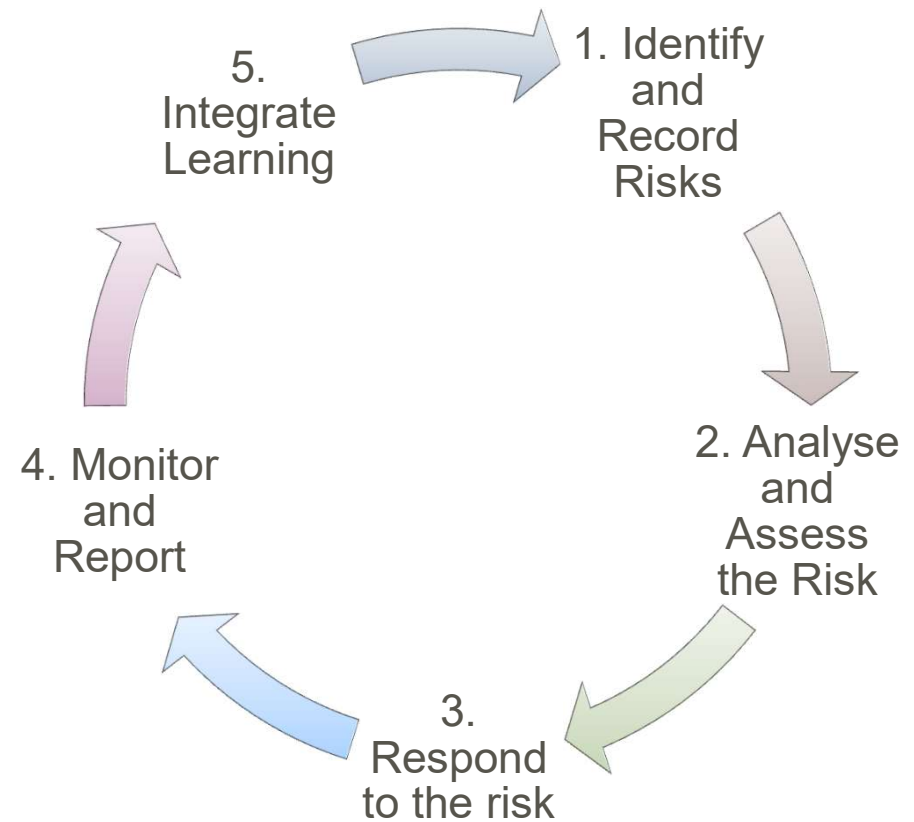
Service disruption to customer minimized



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?

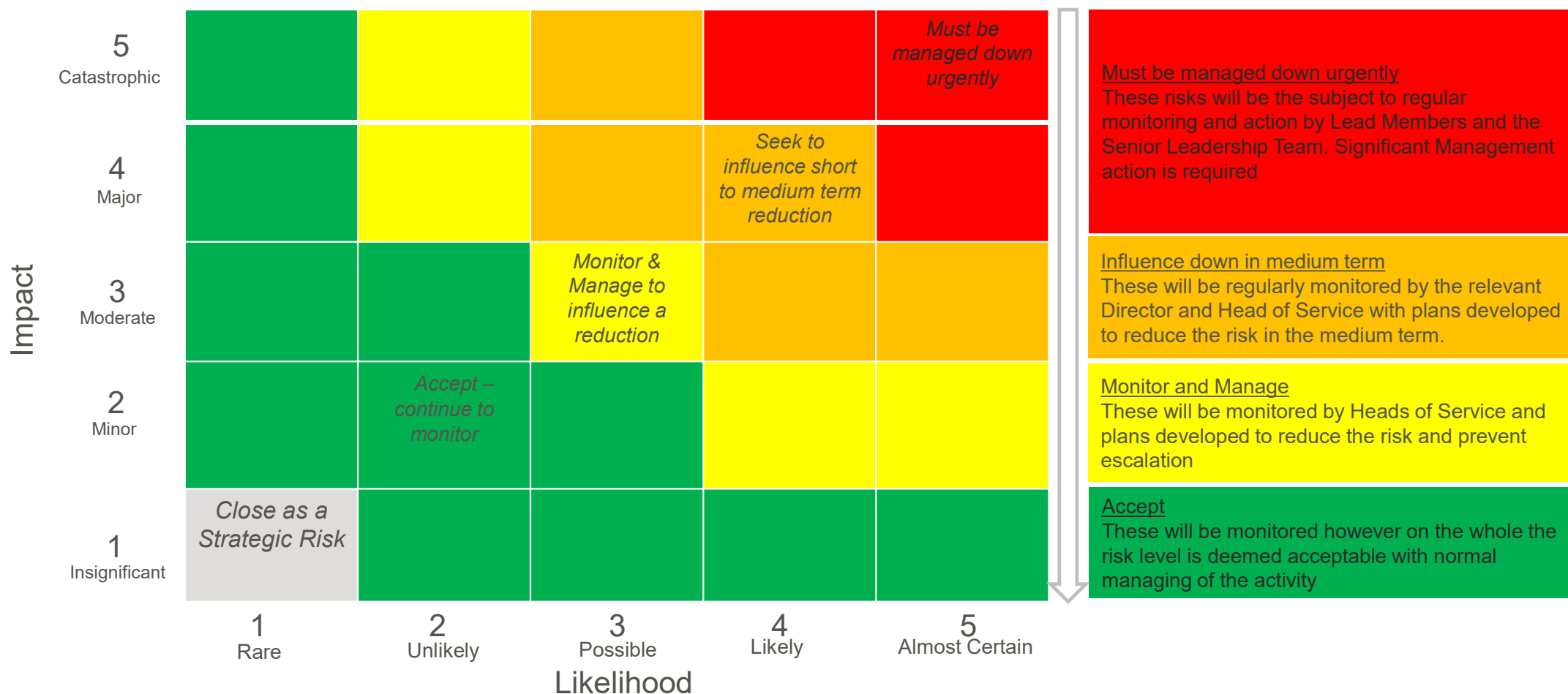
#	Likelihood	Chances of occurring	
1 – Rare	Unlikely to occur under normal circumstances	0-10%	Very unlikely this will ever happen e.g. Once in 100 years
2 – Unlikely	Potential to occur however likelihood remains low	10-25%	Not expected to happen, but is possible e.g. Once in 25 years
3 - Possible	Possible - 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?

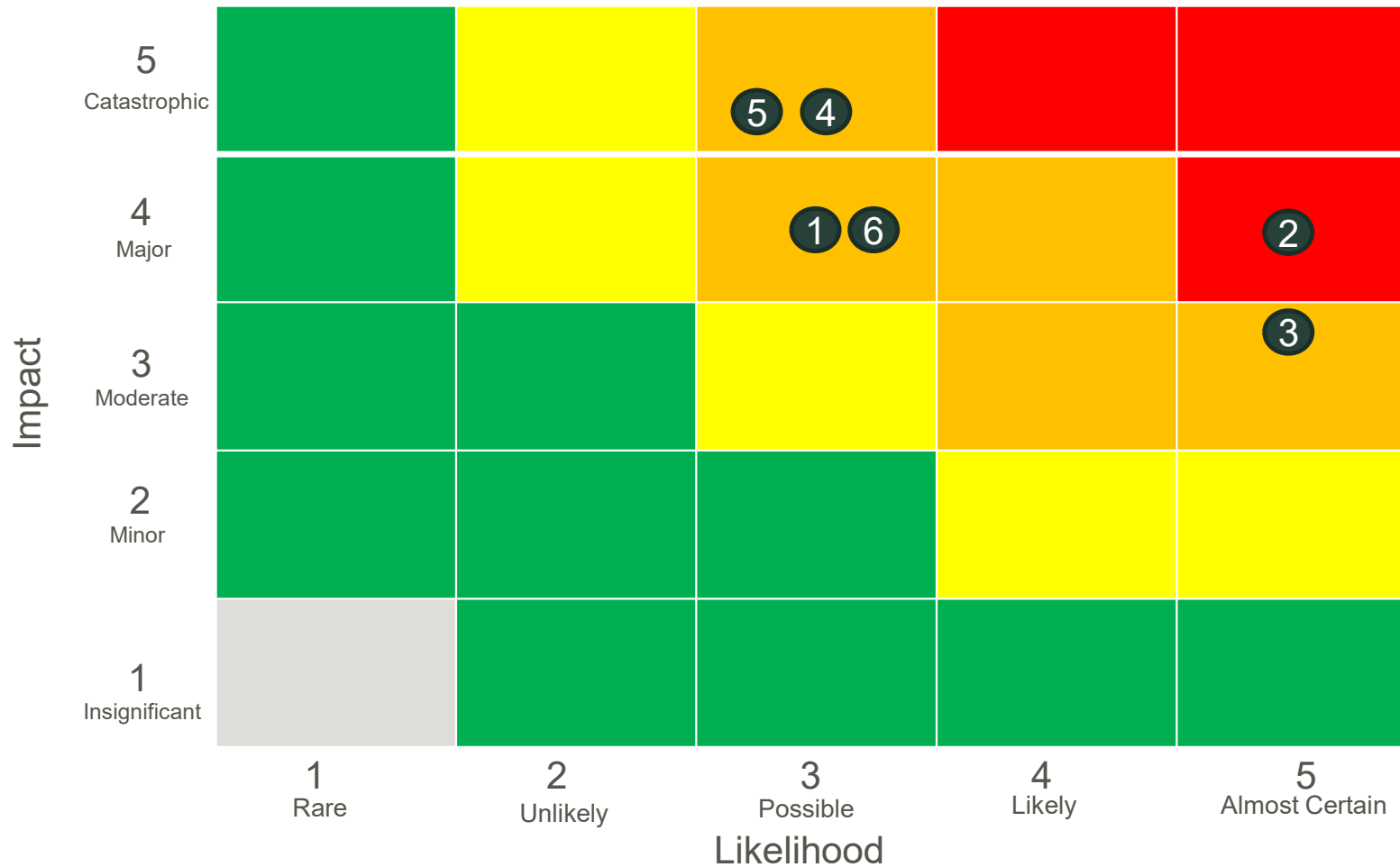
#	Impact Category					
	Financial	Service Quality	Reputation	Legal/Regulatory	Health and Safety	Morale / Staffing
1 – Insignificant Impact	Financial loss of less than £10k	Drop in performance or delays to a process or temporary loss of an access route to a service	Limited local interest, single story	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 June 2023



X 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

Removed since last update:-

- Cost of Living Impacts on services
- Homes for Ukraine Placements breakdowns

Added since last update:-

- Strategic Direction



Risk Title:	Adherence to Medium Term Financial Strategy (MTFS)		
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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.
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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.
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Risk Scoring	Likelihood of risk occurring		3 (Possible)	What are we doing to reduce the risk? <ol style="list-style-type: none"> 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. 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. SLT engaged in the development of the MTFS.
	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 (June 2023)	<p>The Executive considered the Medium Term Financial Strategy for the Council in September 2022. The Council has continued to work in partnership with West Devon Borough Council which has allowed South Hams to achieve annual savings of £3.9 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.</p> <p>We had expected a longer term financial settlement to be made in December 2022 however the Government again made only a single year settlement for 2023/24, with a commitment for consultation on further funding reforms to come forward during 2023. In February 2023, Full Council agreed the revenue and capital budget proposals for 2023/24 and a balanced budget was set. In September 2023, a report will be presented to the Executive with the latest position on the Medium Term Financial Strategy for 2024/25 to 2026/27, a review of the Council's Capital Programme and a review of Reserves.</p> <p>On 30th June 2023, the Council will publish its Draft Statement of Accounts for 2022/23. The Budget for South Hams was £10.464 million for 2022/23 but the actual spend was 0.5% lower, providing a surplus of £57,000 as set out within the Accounts.</p>
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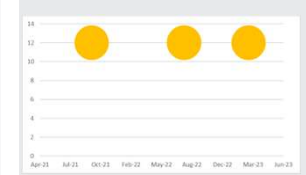
Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 4

Risk Score History



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)

20

Likelihood 5 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 likely to continue in to the short-medium term.



Risk Scoring	Likelihood of risk occurring		5 (Almost Certain)
	Impact	Financial	4 (Major)
		Service Quality	4 (Major)
		Reputation	4 (Major)
		Legal / Regulatory	4 (Major)
		Health and Safety	2 (Minor)
		Morale / Staffing	4 (Major)

- What are we doing to reduce the risk?**
1. Continuing to review services and update service plans to ensure that we can meet future demand
 2. Reviewing our recruitment campaigns – ensuring that they are effective and targeted
 3. Filling key roles with temporary resource to ensure services can continue to be delivered effectively while we progress with the recruitment of permanent employees
 4. Developing plans for ‘grow our own’ talent
 5. Identifying local recruitment events with a view to attending and highlighting roles available within the Council
 6. Assessing the ‘offer’ to employees with other similar organisations

Current Update (June 2023)
 In April 2023, the Council approved a pay and reward strategy which will have seen all roles within the Council receiving a minimum 6% pay award since April 2022 and we will continue to monitor the impact on this in terms of our ability to retain staff and recruit to key roles. While this is a positive step, it is still out of step with pay increases in other sectors particularly at technical officer level given both the increases in pay in the private sector and the flexibility that remote working offers employees.

We are progressing a number of other actions in our Organisational Development Plan including targeting recruitment via specialist websites / magazines, refreshing our recruitment processes to simplify it and promoting the positive benefits for employees.

We have appointed an apprentice within our legal team to develop our own capacity although wider recruitment to vacancies in this team remains an issue and recruitment to roles within the planning team remain a challenge.

Risk Direction

Risk Title: **Health and Wellbeing Service Provision**

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.

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.

Risk Scoring	Likelihood of risk occurring		5 (Almost certain)
	Impact	Financial	3 (Moderate)
		Service Quality	2 (Minor)
		Reputation	2 (Minor)
		Legal / Regulatory	2 (Minor)
		Health and Safety	3 (Moderate)
		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 on 31 March 2022 – Minute 74/21)
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 (March 2023)

Leisure services continue to be provided at the leisure centres. Leisure services nationally continue to be significantly impacted by the increases to energy costs and other supplies and services, with the issue being further compounded as individuals consider their own levels of expenditure and focus on essential spending – with discretionary spending on items such as leisure being areas where individuals consider making savings.

The Council continues to regularly meet with the Chief Executive and Financial Director of Fusion Leisure to understand the impacts. We are actively taking steps to support the fusion progress plan for the decarbonisation of its sites which will, longer term, result in a reduction of energy costs – although this does not address the immediate impacts. Plans are already in place and have been approved to install solar panels on each leisure centre. The Council will apply to the Swimming Pool Support Fund, with applications being opened in the Summer. This was the £60m of new government funding that was announced in the Spring 2023 Budget. The Government funding is being distributed by Sport England although the amounts of funding available to leisure centres is likely to be minimal. Total memberships of the four leisure centres are 93.4% of the pre-covid levels in March 2020 (4,542 in March 2023, compared to 4,865 in March 2020).

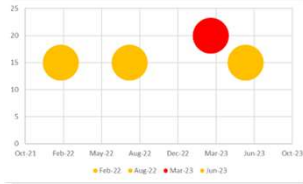
Overall Scoring

Risk Score (Current)



Likelihood 5 x Impact 3

Risk Score History



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.
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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

Current update (June 2023)	<p>The Council has recently undertaken a test of our IT system back-up generators which was successful and demonstrated that in the event of a power outage, our IT systems could continue to operate. A further exercise will be planned to test business continuity plans in the event of a complete loss of IT systems.</p> <p>The Council is working to become one of the early adopters for the Cyber Assurance Framework which has been developed by the National Cyber Security Centre. This sets out a framework that the Councils will be required to achieve in order to obtain accreditation of its systems. Work is also underway to obtain a quote for Cyber insurance for the Council.</p> <p>The work to ensure we are well prepared to respond to a Business Continuity incident continues to be managed through the Council officer Health, Safety, Business Continuity and Emergency Planning Officer team to ensure a continued focus.</p>
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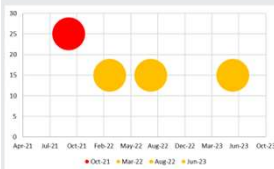
Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 5

Risk Score History



Risk Direction



Risk Title:	Delivery of Waste and Recycling Service		
What is the risk?	The risk is that the Council fails to adequately plan and deliver its Waste and Recycling service, in particular, rolling our the Devon Aligned Service to all remaining households.		
What could cause the risk to occur?	<p>There are a number of issues that could result in issues to delivering the Waste and Recycling service including:-</p> <ul style="list-style-type: none"> - Insufficient staff resource - Incorrect rounds planning - Non-delivery of vehicles in time for service implementation - Making Infrastructure Improvements 		
Risk Scoring	Likelihood of risk occurring	3 (Possible)	<p><u>What are we doing to reduce the risk?</u></p> <p>1.Appointed a dedicated project manager to support the Head of Service with the co-ordination and management of the implementation of DAS.</p> <p>2.Developed a detailed project and resourcing plan with regular project team meetings monitoring and managing progress.</p> <p>3.Developing a comprehensive Communication Plan to raise awareness of the changes, seek resident support and manage expectations.</p>
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 (June 2023)	<p>Since the service has been returned to the control of the Council, service performance has stabilised and improved significantly. Officers continue to manage the service provision closely.</p> <p>The Council is currently planning the role out of the Devon Aligned Service (DAS) to remaining properties in the District. In April 2023, Council approved the budget to procure the fleet required to roll out the service from October 2023. There are limited number of specialist manufacturers of kerbside recycling vehicles, In particular, 'narrow access' vehicles are not available to hire. The Implications of the Environment Act 2021 could result in many Councils requesting similar vehicles resulting in extended delivery times. The October 2023 DAS roll-out is wholly dependent on the delivery of these vehicles and making infrastructure improvements at the Torr Waste Transfer Station.</p> <p>As with any service change, there is an increased risk that the service may have issues. The roll out is being overseen by a project team and subject to oversight by the Director Customer Service Delivery and Waste Working Board.</p>		

Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 5

Risk Score History

NA – New risk around DAS Rollout

Risk Direction

Risk Title:	Strategic Direction		
What is the risk?	The risk is that the Council fails to develop a corporate strategy that responds to the needs of our residents and communities.		
What could cause the risk to occur?	<p>There are a number of triggers for this risk including:-</p> <ul style="list-style-type: none"> • Failure to engage with stakeholders including Members, key partners including Town and Parish Councils, residents and businesses • Development of a plan that does not reflect the real issues and concerns of communities • Failure to sufficiently resource the ambitions and projects set out in the strategy 		
Risk Scoring	Likelihood of risk occurring	3 (Possible)	<p><u>What are we doing to reduce the risk?</u></p> <ol style="list-style-type: none"> 1. Developing a comprehensive and realistic project plan for the creation of a new corporate strategy including approach to consultation and engagement. 2. Working closely with Executive Members to fully understand their ambitions and offer advice on how achievable emerging activities are and the estimated timescales. 3. Establishing a Town and Parish Forum to initially set out emerging priorities and to seek views from all Towns and Parishes 4. 1:1 Meetings being scheduled with each of the key towns
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 (June 2023)	<p>The Executive have set out their broad areas of focus for the new administration which include tackling the housing & climate and biodiversity crises.</p> <p>The Executive will consider the outline timeline for development, consultation and engagement of a new corporate strategy at their meeting on 28th June 2023. Officers are currently developing proposals for a consultation and engagement with all key stakeholders.</p> <p>The Executive have set out their broad ambitions</p> <p>While the new corporate strategy is being developed we will continue to deliver on the activities included within the current Better Lives for All Year 3 delivery plan as adopted by Full Council on 30th March 2023 (Minute 75/22(h)).</p>		

Overall Scoring
<p>Risk Score (Current)</p> <div style="text-align: center; font-size: 2em; font-weight: bold; color: black; background-color: yellow; border-radius: 50%; width: 60px; margin: 0 auto; padding: 10px;">12</div> <p>Likelihood 3 x Impact 4</p>
<p>Risk Score History</p> <p>NA/ New Risk</p>
<p>Risk Direction</p> <p>NA/ New Risk</p>